

CITY OF FLAGLER BEACH, FLORIDA

FINANCIAL STATEMENTS

SEPTEMBER 30, 2025

**CITY OF FLAGLER BEACH, FLORIDA
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SEPTEMBER 30, 2025**

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INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor, City Commission, and City Manager,
City of Flagler Beach, Florida:

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Flagler Beach, Florida (the City), as of and for the year ended September 30, 2025, 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 accompanying financial statements 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, 2025, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statement

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

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

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

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

Required Supplementary Information

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

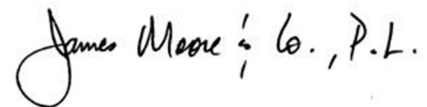
Supplementary Information

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 schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relate 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 financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2026, 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.

A handwritten signature in black ink that reads "James Moore & Co., P.L." The signature is written in a cursive style with a large initial 'J'.

Daytona Beach, Florida
March 31, 2026

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management of the City of Flagler Beach, Florida (hereinafter referred to as the "City") offers the readers of these basic financial statements this narrative overview and analysis of the City's financial activities for the fiscal year ended September 30, 2025. This discussion and analysis is designed to assist the reader in focusing on significant financial issues and activities and to identify any significant changes in financial position. The City encourages readers to consider the information presented here in conjunction with the financial statements, which follow this section.

Financial Highlights

- The total assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$80,098,238 (net position). Of this amount, \$21,873,221 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$8,822,764 in fiscal year 2025. Net position of the City's governmental activities increased (decreased) by \$837,062, while net position of its business type activities increased (decreased) by \$7,985,702.
- The City's governmental funds reported a combined ending fund balance of \$10,292,219 at the end of the current fiscal year, which increased (decreased) by \$115,302 in comparison to the \$10,176,917 reported at the end of the prior fiscal year. Of this amount, \$1,254,487 is available for spending at the City's discretion (unassigned fund balance).
- At the end of the 2025 fiscal year, unassigned fund balance for the General Fund was \$1,254,487, or 11% of the total fiscal year 2025 General Fund expenditures of \$11,399,364.
- The City's total long-term debt obligations increased approximately \$1,700,000 during the fiscal year, due to a new line of credit. The City's combined long-term commitment for compensated absences totaled \$841,521 at year-end.

Overview of the Financial Statements

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

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

The basic financial statements include two kinds of statements that present different views of the City. The first two statements consist of entity-wide financial statements that provide both the short- and long-term financial information about the City's overall financial status, including its governmental activities and its business-type activities. These statements report information about the City using full accrual accounting methods, and an economic resources focus, as utilized by similar business activities in the private sector. Information concerning the City's assets and liabilities, both financial and capital, and short-term and long-term debt are included. Likewise, all revenues and expenses received during the year, regardless of when cash is received or paid are reported. However, rate-regulated accounting principles applicable to private

sector utilities are not used by governmental utilities. The remaining statements are fund financial statements that focus on individual parts of the City government and report the City's operations in more detail than the government-wide financial statements. The governmental funds statements tell how general government services like public safety were financed in the short-term as well as what remains for future spending. Proprietary fund statements offer short-term and long-term financial information about the activities the government operates like businesses, such as the City's water and sewer utility system. Fiduciary fund statements provide information about the financial relationships in which the City acts solely as a trustee or agent for the benefit of others (like the retirement plans for the City's police officers and firefighters), to whom the resources in question belong.

The financial statements also include notes which provide required disclosures and other information that are essential to a full understanding of the material data provided in the statements. The notes present information about the City's significant accounting policies, account balances and activities, material risks, obligations, commitments, contingencies and subsequent events, if any.

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

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances in a manner similar to a private-sector business. The basic financial statements of the City include a statement of net position and a statement of activities, which are described as follows:

- A statement of net position presents information on all of the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources at the end of its fiscal year, with the difference between the four reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the City's financial position is improving or deteriorating. Net position increases when revenues exceed expenses. Increases to assets without a corresponding increase to liabilities results in increased net position, which indicates an improved financial condition.
- The statement of activities presents the results of business operations over the course of the fiscal year and information as to how the City's net position changed during the year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., delinquent taxes and earned but unused personal leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government services, public safety (police, fire, and building inspection), roads and streets, physical environment (Community Redevelopment Agency), and culture and recreation. The business-type activities of the City include its water and sewer utility, stormwater utility, sanitation, and pier activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the City's most significant funds - not the City as a whole. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. These funds are reported using the modified accrual accounting method, which measures cash and all other financial assets that can be readily converted into cash. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations can be found on pages 14 and 16.

The City maintains two individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and community redevelopment fund both of which are considered to be major funds.

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

Fiduciary Funds. Funds held in trust on behalf of the City's defined benefit pension plans, which account for the plan contribution activity, investment income, and benefit payments to retirees. The basic fiduciary fund financial statements can be found on pages 20 and 21 of this report.

Financial Analysis of the City as a Whole

Net Position. As noted previously, net position may serve over time as a useful indicator of a government's financial position. This year, the City's combined total assets exceeded liabilities (net position) by \$80,098,238 at the end of 2025, compared to \$71,275,474 at the end of 2024. This represents a total increase of \$8,822,764 or 12% from the amount reported at the end of the prior fiscal year.

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

**Net Position
September 30, 2025 and 2024**

| | Governmental Activities | | Business-type Activities | | Total | |
|----------------------------------|-------------------------|---------------|--------------------------|---------------|---------------|---------------|
| | 2025 | 2024 | 2025 | 2024 | 2025 | 2024 |
| ASSETS | | | | | | |
| Current and other assets | \$ 10,989,401 | \$ 11,914,704 | \$ 25,744,657 | \$ 19,494,164 | \$ 36,734,058 | \$ 31,408,868 |
| Net pension asset | 661,551 | 261,907 | - | - | 661,551 | 261,907 |
| Capital and lease assets | 11,189,359 | 10,495,704 | 39,480,185 | 35,421,886 | 50,669,544 | 45,917,590 |
| Total assets | \$ 22,840,311 | \$ 22,672,315 | \$ 65,224,842 | \$ 54,916,050 | \$ 88,065,153 | \$ 77,588,365 |
| DEFERRED OUTFLOWS | | | | | | |
| | \$ 1,657,975 | \$ 1,459,588 | \$ 7,249 | \$ 8,101 | \$ 1,665,224 | \$ 1,467,689 |
| LIABILITIES | | | | | | |
| Current liabilities | \$ 743,493 | \$ 1,915,895 | \$ 1,858,368 | \$ 1,365,268 | \$ 2,601,861 | \$ 3,281,163 |
| Noncurrent liabilities: | 1,927,658 | 2,081,306 | 4,001,508 | 2,127,432 | 5,929,166 | 4,208,738 |
| Total liabilities | \$ 2,671,151 | \$ 3,997,201 | \$ 5,859,876 | \$ 3,492,700 | \$ 8,531,027 | \$ 7,489,901 |
| DEFERRED INFLOWS | | | | | | |
| | \$ 1,011,236 | \$ 155,865 | \$ 89,876 | \$ 134,814 | \$ 1,101,112 | \$ 290,679 |
| NET POSITION | | | | | | |
| Net investment in capital assets | \$ 10,818,563 | \$ 9,871,881 | \$ 34,737,693 | \$ 32,707,966 | \$ 45,556,256 | \$ 42,579,847 |
| Restricted | 4,475,292 | 4,039,118 | 8,193,469 | 6,670,577 | 12,668,761 | 10,709,695 |
| Unrestricted | 5,522,044 | 6,067,838 | 16,351,177 | 11,918,094 | 21,873,221 | 17,985,932 |
| Total net position | \$ 20,815,899 | \$ 19,978,837 | \$ 59,282,339 | \$ 51,296,637 | \$ 80,098,238 | \$ 71,275,474 |

The most significant component of the City's net position (approximately 60%) is, by far, its investment in capital assets (land, infrastructure, buildings, and equipment), less any related debt used to acquire or construct those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position (16%) represents resources that are subject to external restrictions on how they may be used. Consequently, the remaining 27% of unrestricted net position, represents amounts that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements, and totaled \$21,873,221 at year-end, compared to \$17,985,932 in 2024. The main reason for the increase from prior year is related to increases in charges for services revenue and an increase in grant revenues which has been offset by increased related expenses.

Changes in Net Position. While the statement of net position shows a snapshot of the City's financial position at the end of the fiscal year, the statement of changes in net position provides answers as to the nature and source of those changes. During 2025, total revenues were \$28,000,294 compared to \$23,985,644 in the prior year. Approximately 24% of the City's revenue came from property taxes, 8% from other taxes and fees, 39% came from fees charged for services, and most of the remaining revenue included state and federal financial assistance and other miscellaneous revenues.

During 2025, expenses were \$19,177,530 as opposed to \$17,131,882 in the prior year, for an increase of approximately 12%. Governmental Funds experienced an increase of approximately \$900,000 in total expenditures for the year, primarily due to hurricane related expenses. Business Type Funds experienced an increase of approximately \$1,100,000 in total expenditures for the year. In FY24/25, the City continued work on several significant projects, notably the rehabilitation of lift and pump stations, conversion to a cloud-based accounting and administrative system, pier reconstruction, and development of a new wastewater treatment plant facility.

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

**Changes in Net Position
For the Fiscal Years Ended September 30, 2025 and 2024**

| | Governmental Activities | | Business-type Activities | | Total | |
|--|-------------------------|----------------------|--------------------------|----------------------|----------------------|----------------------|
| | 2025 | 2024 | 2025 | 2024 | 2025 | 2024 |
| REVENUES | | | | | | |
| Property taxes | \$ 6,812,198 | \$ 5,950,565 | \$ - | \$ - | \$ 6,812,198 | \$ 5,950,565 |
| Other taxes and fees | 2,256,181 | 2,145,044 | - | - | 2,256,181 | 2,145,044 |
| Charges for services | 963,741 | 1,305,365 | 10,049,494 | 9,213,218 | 11,013,235 | 10,518,583 |
| Intergovernmental and grants | 917,630 | 692,469 | 5,007,713 | 2,725,203 | 5,925,343 | 3,417,672 |
| Other revenues | 1,359,383 | 1,231,845 | 633,954 | 721,935 | 1,993,337 | 1,953,780 |
| Total revenues | <u>12,309,133</u> | <u>11,325,288</u> | <u>15,691,161</u> | <u>12,660,356</u> | <u>28,000,294</u> | <u>23,985,644</u> |
| EXPENSES | | | | | | |
| General government | 3,784,869 | 3,431,142 | - | - | 3,784,869 | 3,431,142 |
| Public safety | 5,637,669 | 5,214,376 | - | - | 5,637,669 | 5,214,376 |
| Roads and streets | 361,442 | 238,563 | - | - | 361,442 | 238,563 |
| Physical environment - CRA | 100,228 | 197,959 | - | - | 100,228 | 197,959 |
| Culture and recreation | 772,912 | 639,131 | - | - | 772,912 | 639,131 |
| Water and sewer | - | - | 5,494,158 | 4,628,259 | 5,494,158 | 4,628,259 |
| Sanitation | - | - | 1,886,842 | 1,782,635 | 1,886,842 | 1,782,635 |
| Stormwater | - | - | 767,756 | 696,160 | 767,756 | 696,160 |
| Pier | - | - | 362,875 | 293,259 | 362,875 | 293,259 |
| Interest expense | 8,779 | 10,398 | - | - | 8,779 | 10,398 |
| Total expenses | <u>10,665,899</u> | <u>9,731,569</u> | <u>8,511,631</u> | <u>7,400,313</u> | <u>19,177,530</u> | <u>17,131,882</u> |
| Income before transfers | 1,643,234 | 1,593,719 | 7,179,530 | 5,260,043 | 8,822,764 | 6,853,762 |
| Transfers | (806,172) | (1,000,000) | 806,172 | 1,000,000 | - | - |
| Change in net position | 837,062 | 593,719 | 7,985,702 | 6,260,043 | 8,822,764 | 6,853,762 |
| Net position, beginning of year, as restated | 19,978,837 | 19,369,252 | 51,296,637 | 45,036,594 | 71,275,474 | 64,405,846 |
| Net position, end of year | <u>\$ 20,815,899</u> | <u>\$ 19,962,971</u> | <u>\$ 59,282,339</u> | <u>\$ 51,296,637</u> | <u>\$ 80,098,238</u> | <u>\$ 71,259,608</u> |

Governmental Activities

Revenues for the City’s governmental activities totaled \$12,309,133 in 2025. This represents an increase of \$983,845 more than last year’s reported revenues of \$11,325,288 and is primarily related to the receipt of FEMA reimbursement and insurance proceeds from hurricane related expenses.

Governmental activities expenses totaled \$10,665,899, which is an increase of about \$900,000 from the prior year due to hurricane related expenses. There was also a \$193,828 decrease in transfers out for transfers to cover expenses for grant related expenditures for capital projects as well as to cover expenses in the Sanitation Fund.

Business-Type Activities

The major source of operating revenues for the City’s business-type activities is charges for services (water and sewer, stormwater, sanitation, and pier), which during the year increased to a total of about \$836,000 more than the charges for services of \$9,213,218 in 2024. Other revenues increased due to FEMA and insurance reimbursement for hurricane related expenses.

Total operating expenses of the proprietary funds fund in 2025 totaled \$8,511,631, compared to \$7,400,313 in 2024, an increase of approximately \$1,100,000, primarily due to increased Capital projects in Utilities and Sanitation Funds. There was also a \$193,828 decrease in transfers in for transfers to cover expenses for grant related expenditures for capital projects as well as to cover expenses in the Sanitation Fund.

Financial Analysis of the City's Funds

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

Governmental Funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. As the City completed the year, its governmental funds reported a combined fund balance of \$10,292,219, which was an increase (decrease) of \$115,302 compared with the amount reported last year. This was primarily due FEMA and insurance reimbursements received.

The general fund is the chief operating fund of the City. As of September 30, 2025, the unassigned fund balance in the general fund totaled \$1,254,487. This unassigned fund balance represents approximately 11% of the City's spending requirements experienced during 2025.

The City's community redevelopment fund had a fund balance of \$444,509 at the end of the year, a decrease of about \$185,000 from the prior year. All amount held in this fund are restricted for reinvestment in the community redevelopment district.

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

Charges for services in the proprietary funds increased about \$836,000 from the prior year due to rate increases.

General Fund Budgetary Highlights

The tax revenues brought in about \$490,000 more than originally budgeted, and intergovernmental revenues brought in about \$52,000 more than originally budgeted. Tax revenues increased due to collection of additional Ad Valorem taxes collected above the 95% budgeted as well as the increased receipt of FPL franchise and service tax. Intergovernmental revenue included FEMA revenue and additional lifeguard grant funds received from the county.

All of these factors combined resulted in \$119,245 increase (decrease) to General Fund Balance for Fiscal Year 2025.

Capital Assets and Debt Administration

Capital Assets. At September 30, 2025, the City had nearly \$46 million invested in a broad range of capital assets, including land, buildings, park facilities, police equipment, public works equipment and water lines. See Note (6) for further information on the City's capital assets.

Long-Term Debt. The City has various notes and bonds payable totaling \$4,516,971 at year-end, compared to \$2,795,027 one year earlier. The proceeds of these loans, which were drawn in increments over various preceding years, were to fund utility projects as well as refund prior bonds and notes payable. Under these agreements, the City must repay these loans with semiannual payments.

More detailed information about the City's long-term debt is presented in Note (8) to the financial statements.

Economic Factors and Next Year's Budgets and Rates

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

- Property values continue to increase slightly; this was considered by the City Commission with the adopted rate of 5.450. The rollback rate was 5.1604.
- Tourism, a key component of the local economy, has been affected by development projects; while hotel construction and beach renourishment are now complete, pier reconstruction remains in progress.
- Development along the John Anderson Corridor and Roberts Road in unincorporated Flagler County is underway. The City has provided water and sewer services to this area under an interlocal agreement with Flagler County. Commercial and residential development within the City continues, contributing to increased revenues.

Overall, the City's financial position remains strong and is supported by ongoing development, completed projects such as hotel construction and beach renourishment, and continued investment in infrastructure like pier reconstruction. Growth in commercial and residential development, combined with grants, increased governmental revenues, and charges for services, positions the City for continued economic and fiscal stability in the coming years.

Requests for Information

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. Questions concerning any of the information provided in this report, or requests for additional information should be addressed to the City of Flagler Beach, Finance Department Director, 105 South Second Street, Flagler Beach, FL 32136. Information can also be obtained at the City's website at www.cityofflaglerbeach.com.

CITY OF FLAGLER BEACH, FLORIDA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2025

| | Governmental Activities | Business-type Activities | Total |
|--|------------------------------------|-------------------------------------|----------------------|
| ASSETS | | | |
| Cash and investments | \$ 24,189,657 | \$ 4,584,681 | \$ 28,774,338 |
| Receivables, net | 298,880 | 1,415,626 | 1,714,506 |
| Internal balances | (13,887,045) | 13,887,045 | - |
| Due from other governments | 311,613 | 3,746,623 | 4,058,236 |
| Lease receivable | - | 100,985 | 100,985 |
| Prepays | 76,296 | 60,260 | 136,556 |
| Restricted assets: | | | |
| Cash and cash equivalents | - | 294,125 | 294,125 |
| Investments | - | 1,562,603 | 1,562,603 |
| Special assessments receivable | - | 92,709 | 92,709 |
| Net pension assets | 661,551 | - | 661,551 |
| Capital assets: | | | |
| Capital assets, not being depreciated | 2,993,644 | 9,899,054 | 12,892,698 |
| Other capital assets, net of depreciation and amortization | 8,195,715 | 29,581,131 | 37,776,846 |
| Total assets | <u>22,840,311</u> | <u>65,224,842</u> | <u>88,065,153</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Deferred outflows related to pensions | 1,642,834 | - | 1,642,834 |
| Deferred outflows related to OPEB | 15,141 | 7,249 | 22,390 |
| Total deferred outflows | <u>1,657,975</u> | <u>7,249</u> | <u>1,665,224</u> |
| LIABILITIES | | | |
| Accounts payable and accrued liabilities | 647,858 | 1,058,646 | 1,706,504 |
| Customer deposits | 1,001 | 249,767 | 250,768 |
| Unearned revenue | 48,323 | - | 48,323 |
| Accrued interest payable | - | 153 | 153 |
| Noncurrent liabilities: | | | |
| Due within one year: | | | |
| Notes payable | - | 494,720 | 494,720 |
| Lease liability | - | 2,726 | 2,726 |
| Compensated absences | 46,311 | 52,356 | 98,667 |
| Due in more than one year: | | | |
| Notes payable | 281,000 | 3,741,251 | 4,022,251 |
| Lease liability | - | 2,810 | 2,810 |
| Compensated absences | 627,887 | 114,967 | 742,854 |
| Total OPEB liability | 297,597 | 142,480 | 440,077 |
| Net pension liability | 721,174 | - | 721,174 |
| Total liabilities | <u>2,671,151</u> | <u>5,859,876</u> | <u>8,531,027</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Deferred inflows related to pensions | 1,011,236 | - | 1,011,236 |
| Deferred inflows related to leases | - | 89,876 | 89,876 |
| Total deferred inflows of resources | <u>1,011,236</u> | <u>89,876</u> | <u>1,101,112</u> |
| NET POSITION | | | |
| Net investment in capital assets | 10,818,563 | 34,737,693 | 45,556,256 |
| Restricted for: | | | |
| Infrastructure | 2,272,773 | 8,072,106 | 10,344,879 |
| Pensions | 661,551 | - | 661,551 |
| Law enforcement | 4,724 | - | 4,724 |
| Building department | 1,091,735 | - | 1,091,735 |
| Community redevelopment | 444,509 | - | 444,509 |
| Debt service | - | 121,363 | 121,363 |
| Unrestricted | 5,522,044 | 16,351,177 | 21,873,221 |
| Total net position | <u>\$ 20,815,899</u> | <u>\$ 59,282,339</u> | <u>\$ 80,098,238</u> |

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

**CITY OF FLAGLER BEACH, FLORIDA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

| Functions/Programs | Expenses | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position | | |
|--------------------------------------|----------------------|-------------------------|--|--|--|-----------------------------|----------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business-type Activities | Total |
| Governmental activities: | | | | | | | |
| General government | \$ 3,784,869 | \$ 131,957 | \$ 12,685 | \$ 110,062 | \$ (3,530,165) | \$ - | \$ (3,530,165) |
| Public safety | 5,637,669 | 790,295 | 191,689 | 133,256 | (4,522,429) | - | (4,522,429) |
| Physical environment - CRA | 100,228 | - | - | - | (100,228) | - | (100,228) |
| Roads and streets | 361,442 | - | 208,922 | - | (152,520) | - | (152,520) |
| Culture and recreation | 772,912 | 41,489 | 9,306 | 88,825 | (633,292) | - | (633,292) |
| Interest on long-term debt | 8,779 | - | - | - | (8,779) | - | (8,779) |
| Total governmental activities | <u>10,665,899</u> | <u>963,741</u> | <u>422,602</u> | <u>332,143</u> | <u>(8,947,413)</u> | <u>-</u> | <u>(8,947,413)</u> |
| Business-type activities: | | | | | | | |
| Water and sewer | 5,494,158 | 6,858,841 | - | 1,973,352 | - | 3,338,035 | 3,338,035 |
| Sanitation | 1,886,842 | 1,844,744 | - | - | - | (42,098) | (42,098) |
| Stormwater | 767,756 | 1,040,081 | - | 50,881 | - | 323,206 | 323,206 |
| Pier | 362,875 | 143,620 | - | 2,983,480 | - | 2,764,225 | 2,764,225 |
| Total business-type activities | <u>8,511,631</u> | <u>9,887,286</u> | <u>-</u> | <u>5,007,713</u> | <u>-</u> | <u>6,383,368</u> | <u>6,383,368</u> |
| Total primary government | <u>\$ 19,177,530</u> | <u>\$ 10,851,027</u> | <u>\$ 422,602</u> | <u>\$ 5,339,856</u> | <u>(8,947,413)</u> | <u>6,383,368</u> | <u>(2,564,045)</u> |
| General revenues: | | | | | | | |
| Property taxes | | | | | 6,812,198 | - | 6,812,198 |
| Sales taxes | | | | | 225,035 | - | 225,035 |
| Infrastructure surtax | | | | | 284,915 | - | 284,915 |
| Communications service tax | | | | | 212,876 | - | 212,876 |
| Public service taxes | | | | | 1,075,366 | - | 1,075,366 |
| Franchise fees | | | | | 457,989 | - | 457,989 |
| State revenue sharing | | | | | 162,885 | - | 162,885 |
| Investment earnings (loss) | | | | | 594,938 | 633,954 | 1,228,892 |
| Miscellaneous revenues | | | | | 764,445 | 162,208 | 926,653 |
| Transfers | | | | | (806,172) | 806,172 | - |
| Total general revenues and transfers | | | | | <u>9,784,475</u> | <u>1,602,334</u> | <u>11,386,809</u> |
| Change in net position | | | | | 837,062 | 7,985,702 | 8,822,764 |
| Net position - beginning of year | | | | | 19,978,837 | 51,296,637 | 71,275,474 |
| Net position - ending of year | | | | | <u>\$ 20,815,899</u> | <u>\$ 59,282,339</u> | <u>\$ 80,098,238</u> |

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

**CITY OF FLAGLER BEACH, FLORIDA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2025**

| | <u>General</u> | <u>Community Redevelopment</u> | <u>Capital Projects</u> | <u>Total Governmental Funds</u> |
|--|----------------------|------------------------------------|-----------------------------|---|
| ASSETS | | | | |
| Cash and investments | \$ 23,122,252 | \$ 1,067,405 | \$ - | \$ 24,189,657 |
| Receivables, net | 298,880 | - | - | 298,880 |
| Due from other governments | 222,820 | - | 88,793 | 311,613 |
| Due from other funds | 2,545,733 | 8,740 | 1,893,664 | 4,448,137 |
| Prepaid items | 76,296 | - | - | 76,296 |
| Total assets | <u>\$ 26,265,981</u> | <u>\$ 1,076,145</u> | <u>\$ 1,982,457</u> | <u>\$ 29,324,583</u> |
| LIABILITIES | | | | |
| Accounts payable and accrued liabilities | \$ 645,396 | \$ 2,462 | \$ - | \$ 647,858 |
| Customer deposits | 1,001 | - | - | 1,001 |
| Unearned revenue | 48,323 | - | - | 48,323 |
| Due to other funds | 15,904,666 | 629,174 | 1,801,342 | 18,335,182 |
| Total liabilities | <u>16,599,386</u> | <u>631,636</u> | <u>1,801,342</u> | <u>19,032,364</u> |
| FUND BALANCES | | | | |
| Nonspendable: | | | | |
| Prepaid items | 76,296 | - | - | 76,296 |
| Restricted for: | | | | |
| Law enforcement | 4,724 | - | - | 4,724 |
| Building department | 1,091,735 | - | - | 1,091,735 |
| Infrastructure - capital assets | 2,272,773 | - | - | 2,272,773 |
| Community redevelopment projects | - | 444,509 | - | 444,509 |
| Capital improvements | - | - | 181,115 | 181,115 |
| Committed to: | | | | |
| Emergencies | 2,821,570 | - | - | 2,821,570 |
| Assigned to: | | | | |
| Beach related purchases | 12,305 | - | - | 12,305 |
| Park improvements | 146,994 | - | - | 146,994 |
| Land purchases | 26,502 | - | - | 26,502 |
| City-wide cameras | 108,070 | - | - | 108,070 |
| Dune protection | 222,582 | - | - | 222,582 |
| Street lighting | 363,453 | - | - | 363,453 |
| Fire truck | 91,509 | - | - | 91,509 |
| Police and fire radios | 156,000 | - | - | 156,000 |
| Fire equipment | 63,153 | - | - | 63,153 |
| Taser / body camera reserve | 35,077 | - | - | 35,077 |
| Tree bank | 28,700 | - | - | 28,700 |
| Paving | 374,665 | - | - | 374,665 |
| Subsequent year's budget | 516,000 | - | - | 516,000 |
| Unassigned | 1,254,487 | - | - | 1,254,487 |
| Total fund balances | <u>9,666,595</u> | <u>444,509</u> | <u>181,115</u> | <u>10,292,219</u> |
| Total liabilities and fund balances | <u>\$ 26,265,981</u> | <u>\$ 1,076,145</u> | <u>\$ 1,982,457</u> | <u>\$ 29,324,583</u> |

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

CITY OF FLAGLER BEACH, FLORIDA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2025

| | | |
|--|---------------------|-----------------------------|
| Fund balances - total governmental funds | | \$ 10,292,219 |
| Amounts reported for governmental activities in the statement of activities are different because: | | |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds, | | |
| Total governmental capital assets | 23,843,087 | |
| Less: accumulated depreciation | <u>(12,653,728)</u> | 11,189,359 |
| On the governmental fund statements, a net pension asset (liability) is not recorded until an amount is due and payable and the pension plan's fiduciary net position is not sufficient for payment of those benefits (no such liability exists at the end of the current fiscal year). On the statement of net position, the City's net pension asset (liability) of the defined benefit pension plans is reported as a noncurrent liability. Additionally, deferred outflows and deferred inflows related to pensions are also reported. | | |
| Net pension liability | (721,174) | |
| Net pension asset | 661,551 | |
| Deferred outflows related to pensions | 1,642,834 | |
| Deferred inflows related to pensions | <u>(1,011,236)</u> | 571,975 |
| On the governmental fund statements, a total OPEB liability is not recorded unless an amount is due and payable (no such liability exists at the end of the current fiscal year). On the Statement of Net Position, the City's total OPEB liability is reported as a noncurrent liability. Additionally, deferred outflows related to OPEB are also reported. | | |
| Total OPEB liability | (297,597) | |
| Deferred outflows related to OPEB | <u>15,141</u> | (282,456) |
| Long-term liabilities, including bonds payable and notes payable, are not due and payable in the current period and, therefore, are not reported in the funds. These liabilities, deferred outflows, and other debt-related deferred charges consist of the following: | | |
| Bonds and notes payable | (281,000) | |
| Compensated absences | <u>(674,198)</u> | (955,198) |
| Net position of governmental activities | | <u><u>\$ 20,815,899</u></u> |

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

CITY OF FLAGLER BEACH, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

| | <u>General</u> | <u>Community Redevelopment</u> | <u>Capital Projects</u> | <u>Total Governmental Funds</u> |
|--|---------------------|------------------------------------|-----------------------------|---|
| Revenues | | | | |
| Taxes | \$ 8,005,892 | \$ 604,498 | \$ - | \$ 8,610,390 |
| Permits and fees | 1,308,128 | - | - | 1,308,128 |
| Intergovernmental | 606,756 | - | 88,793 | 695,549 |
| Charges for services | 30,914 | - | - | 30,914 |
| Fines and forfeitures | 105,366 | - | - | 105,366 |
| Investment income (loss) | 580,387 | 14,551 | - | 594,938 |
| Miscellaneous | 881,166 | - | 64,047 | 945,213 |
| Total revenues | <u>11,518,609</u> | <u>619,049</u> | <u>152,840</u> | <u>12,290,498</u> |
| Expenditures | | | | |
| Current: | | | | |
| General government | 2,821,708 | - | - | 2,821,708 |
| Public safety | 5,570,918 | - | - | 5,570,918 |
| Roads and streets | 333,920 | - | - | 333,920 |
| Physical environment | - | 100,228 | - | 100,228 |
| Culture and recreation | 663,478 | - | - | 663,478 |
| Capital outlay | - | - | 1,822,576 | 1,822,576 |
| Debt service: | | | | |
| Principal | - | 66,000 | - | 66,000 |
| Interest and fiscal charges | - | 8,779 | - | 8,779 |
| Total expenditures | <u>9,390,024</u> | <u>175,007</u> | <u>1,822,576</u> | <u>11,387,607</u> |
| Excess (deficiency) of revenues over expenditures | <u>2,128,585</u> | <u>444,042</u> | <u>(1,669,736)</u> | <u>902,891</u> |
| Other financing sources (uses) | | | | |
| Transfers in | - | - | 1,832,268 | 1,832,268 |
| Transfers out | (2,009,340) | (629,100) | - | (2,638,440) |
| Sale of capital assets | - | - | 18,583 | 18,583 |
| Total other financing sources (uses) | <u>(2,009,340)</u> | <u>(629,100)</u> | <u>1,850,851</u> | <u>(787,589)</u> |
| Net change in fund balances | <u>119,245</u> | <u>(185,058)</u> | <u>181,115</u> | <u>115,302</u> |
| Fund balances, beginning of year | 9,547,350 | 629,567 | - | 10,176,917 |
| Fund balances, end of year | <u>\$ 9,666,595</u> | <u>\$ 444,509</u> | <u>\$ 181,115</u> | <u>\$ 10,292,219</u> |

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

CITY OF FLAGLER 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, 2025

| | |
|--|-------------------|
| Net change in fund balances - total governmental funds | \$ 115,302 |
| Differences in amounts reported for governmental activities in the statement of activities are: | |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives. | |
| Capital outlay expenditures | 1,822,576 |
| Depreciation expense | (1,128,921) |
| Bond and loan proceeds are reported as financing sources in the governmental funds. However, the issuance of debt is reported as long-term debt payable in the statement of net position. Repayment of bond and note principal is an expenditure in the governmental funds, but the repayment of debt principal reduces long-term liabilities in the statement of net position. These amounts are as follows: | |
| Principal repayment of general long-term debt and lease liabilities | 66,000 |
| Governmental funds report contributions to defined benefit pension plans as expenditures. However, in the statement of activities, the amount contributed to defined benefit pension plans reduces future net pension liability. Also included in pension expense in the statement of activities are amounts required to be amortized. | |
| Change in net pension asset/liability and deferred inflows/outflows related to pensions | 269,237 |
| Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. These adjustments are as follows: | |
| Change in compensated absences liability | (248,045) |
| Change in total OPEB liability and deferred outflows related to OPEB | (59,087) |
| Change in net position of governmental activities | \$ 837,062 |

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

CITY OF FLAGLER BEACH, FLORIDA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2025

| | Business-type Activities - Enterprise Funds | | | | Total |
|--|--|---------------------|---------------------|---------------------|----------------------|
| | Water and Sewer | Sanitation | Stormwater | Pier | |
| ASSETS | | | | | |
| Current assets: | | | | | |
| Cash and cash equivalents | \$ 599,215 | \$ - | \$ - | \$ - | \$ 599,215 |
| Investments | 3,366,785 | 618,681 | - | - | 3,985,466 |
| Accounts receivable, net | 1,097,828 | 182,607 | 104,137 | 31,054 | 1,415,626 |
| Due from other governments | 605,911 | - | 157,232 | 2,983,480 | 3,746,623 |
| Leases receivable | - | - | - | 100,985 | 100,985 |
| Prepaid items | - | - | - | 60,260 | 60,260 |
| Due from other funds | 11,920,206 | 585,642 | 1,224,284 | 1,057,329 | 14,787,461 |
| Restricted current assets | | | | | |
| Cash and cash equivalents | 294,125 | - | - | - | 294,125 |
| Total current assets | <u>17,884,070</u> | <u>1,386,930</u> | <u>1,485,653</u> | <u>4,233,108</u> | <u>24,989,761</u> |
| Noncurrent assets: | | | | | |
| Restricted cash and investments | 1,562,603 | - | - | - | 1,562,603 |
| Special assessments receivable - restricted | 92,709 | - | - | - | 92,709 |
| Capital assets: | | | | | |
| Capital assets, not being depreciated | 3,707,574 | 2,817 | 1,680,468 | 4,508,195 | 9,899,054 |
| Other capital assets, net of depreciation and amortization | 23,221,450 | 671,927 | 4,572,747 | 1,115,007 | 29,581,131 |
| Total noncurrent assets | <u>28,584,336</u> | <u>674,744</u> | <u>6,253,215</u> | <u>5,623,202</u> | <u>41,135,497</u> |
| Total assets | <u>46,468,406</u> | <u>2,061,674</u> | <u>7,738,868</u> | <u>9,856,310</u> | <u>66,125,258</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | | | |
| Deferred outflows related to OPEB | 4,655 | 1,707 | 887 | - | 7,249 |
| Total deferred outflows of resources | <u>4,655</u> | <u>1,707</u> | <u>887</u> | <u>-</u> | <u>7,249</u> |
| LIABILITIES | | | | | |
| Current liabilities: | | | | | |
| Accounts payable and accrued liabilities | 320,269 | 37,798 | 62,916 | 637,663 | 1,058,646 |
| Deposits | 240,767 | - | - | 9,000 | 249,767 |
| Due to other funds | 403,451 | 51,231 | 70,581 | 375,153 | 900,416 |
| Compensated absences | 26,641 | 16,905 | 8,810 | - | 52,356 |
| Current maturities of lease liability | - | - | - | 2,726 | 2,726 |
| Accrued interest payable | - | - | - | 153 | 153 |
| Payable from restricted assets: | | | | | |
| Current maturities on long-term debt | 494,720 | - | - | - | 494,720 |
| Total current liabilities | <u>1,485,848</u> | <u>105,934</u> | <u>142,307</u> | <u>1,024,695</u> | <u>2,758,784</u> |
| Noncurrent liabilities: | | | | | |
| Notes payable | 922,583 | - | 444,000 | 2,374,668 | 3,741,251 |
| Lease liability | - | - | - | 2,810 | 2,810 |
| Compensated absences | 73,841 | 33,178 | 7,948 | - | 114,967 |
| Total OPEB liability | 91,501 | 33,550 | 17,429 | - | 142,480 |
| Total noncurrent liabilities | <u>1,087,925</u> | <u>66,728</u> | <u>469,377</u> | <u>2,377,478</u> | <u>4,001,508</u> |
| Total liabilities | <u>2,573,773</u> | <u>172,662</u> | <u>611,684</u> | <u>3,402,173</u> | <u>6,760,292</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | | |
| Deferred inflows related to leases | - | - | - | 89,876 | 89,876 |
| Total deferred inflows of resources | <u>-</u> | <u>-</u> | <u>-</u> | <u>89,876</u> | <u>89,876</u> |
| NET POSITION | | | | | |
| Net investment in capital assets | 25,336,593 | 674,744 | 5,777,112 | 2,949,244 | 34,737,693 |
| Restricted for debt service | 121,363 | - | - | - | 121,363 |
| Restricted for capital expansion | 8,072,106 | - | - | - | 8,072,106 |
| Unrestricted | 10,369,226 | 1,215,975 | 1,350,959 | 3,415,017 | 16,351,177 |
| Total net position | <u>\$ 43,899,288</u> | <u>\$ 1,890,719</u> | <u>\$ 7,128,071</u> | <u>\$ 6,364,261</u> | <u>\$ 59,282,339</u> |

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

CITY OF FLAGLER BEACH, FLORIDA
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

| | Business-type Activities - Enterprise Funds | | | | Total |
|---|--|----------------------------|----------------------------|----------------------------|-----------------------------|
| | Water & Sewer | Sanitation | Stormwater | Pier | |
| Operating revenues | | | | | |
| Charges for services | \$ 6,858,841 | \$ 1,844,744 | \$ 1,040,081 | \$ 143,620 | \$ 9,887,286 |
| Other revenues | 98,133 | 42,118 | 10,827 | 11,130 | 162,208 |
| Total operating revenues | <u>6,956,974</u> | <u>1,886,862</u> | <u>1,050,908</u> | <u>154,750</u> | <u>10,049,494</u> |
| Operating expenses | | | | | |
| Personnel services | 2,094,813 | 657,446 | 203,657 | - | 2,955,916 |
| Operating expenses | 1,874,404 | 1,015,837 | 357,014 | 207,741 | 3,454,996 |
| Depreciation and amortization | 1,493,625 | 213,559 | 193,221 | 154,784 | 2,055,189 |
| Total operating expenses | <u>5,462,842</u> | <u>1,886,842</u> | <u>753,892</u> | <u>362,525</u> | <u>8,466,101</u> |
| Operating income (loss) | <u>1,494,132</u> | <u>20</u> | <u>297,016</u> | <u>(207,775)</u> | <u>1,583,393</u> |
| Nonoperating revenues (expenses) | | | | | |
| Investment earnings (loss) | 560,723 | 39,660 | 33,571 | - | 633,954 |
| Interest expense | (31,316) | - | (13,864) | (350) | (45,530) |
| Total nonoperating revenues (expenses) | <u>529,407</u> | <u>39,660</u> | <u>19,707</u> | <u>(350)</u> | <u>588,424</u> |
| Income (loss) before contributions and transfers | <u>2,023,539</u> | <u>39,680</u> | <u>316,723</u> | <u>(208,125)</u> | <u>2,171,817</u> |
| Capital contributions | 883,810 | - | - | - | 883,810 |
| Capital grants | 1,089,542 | - | 50,881 | 2,983,480 | 4,123,903 |
| Transfers in | - | 60,800 | - | 745,372 | 806,172 |
| Change in net position | <u>3,996,891</u> | <u>100,480</u> | <u>367,604</u> | <u>3,520,727</u> | <u>7,985,702</u> |
| Net position, beginning of year | 39,902,397 | 1,790,239 | 6,760,467 | 2,843,534 | 51,296,637 |
| Net position, end of year | <u><u>\$ 43,899,288</u></u> | <u><u>\$ 1,890,719</u></u> | <u><u>\$ 7,128,071</u></u> | <u><u>\$ 6,364,261</u></u> | <u><u>\$ 59,282,339</u></u> |

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

CITY OF FLAGLER BEACH, FLORIDA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

| | Business-type Activities - Enterprise Funds | | | | Total |
|--|--|-------------------|--------------------|-----------------------|---------------------|
| | Water & Sewer | Sanitation | Stormwater | Pier | |
| Cash flows from operating activities | | | | | |
| Cash received from customers | \$ 7,470,893 | \$ 1,890,673 | \$ 992,630 | \$ (2,655,508) | \$ 7,698,688 |
| Cash paid to employees | (2,054,681) | (624,270) | (186,713) | - | (2,865,664) |
| Cash paid to suppliers | (2,003,788) | (1,046,732) | (365,980) | 422,838 | (2,993,662) |
| Net cash provided by (used in) operating activities | <u>3,412,424</u> | <u>219,671</u> | <u>439,937</u> | <u>(2,232,670)</u> | <u>1,839,362</u> |
| Cash flows from noncapital financing activities | | | | | |
| Transfers from other funds | - | 60,800 | - | 745,372 | 806,172 |
| Intergovernmental grant proceeds | 1,089,542 | - | 50,881 | 2,983,480 | 4,123,903 |
| Interfund loans | (11,180,822) | (689,063) | (1,110,560) | (379,143) | (13,359,588) |
| Net cash provided by (used in) noncapital financing activities | <u>(10,091,280)</u> | <u>(628,263)</u> | <u>(1,059,679)</u> | <u>3,349,709</u> | <u>(8,429,513)</u> |
| Cash flows from capital and related financing activities | | | | | |
| Impact fees | 883,810 | - | - | - | 883,810 |
| Acquisition and construction of capital assets | (2,579,848) | (2,817) | (42,186) | (1,113,969) | (3,738,820) |
| Principal payments of long-term debt | (482,724) | - | (104,000) | - | (586,724) |
| Payments on lease liability | - | - | - | (2,646) | (2,646) |
| Interest paid | (31,316) | - | (13,864) | (424) | (45,604) |
| Net cash provided by (used in) capital and related financing activities | <u>(2,210,078)</u> | <u>(2,817)</u> | <u>(160,050)</u> | <u>(1,117,039)</u> | <u>(3,489,984)</u> |
| Cash flows from investing activities | | | | | |
| Interest received (loss) | 560,723 | 39,660 | 33,571 | - | 633,954 |
| Purchases of investments | 8,177,336 | - | 624,995 | - | 8,802,331 |
| Sales of investments | - | 371,749 | - | - | 371,749 |
| Net cash provided by (used in) investing activities | <u>8,738,059</u> | <u>411,409</u> | <u>658,566</u> | <u>-</u> | <u>9,808,034</u> |
| Net change in cash and cash equivalents | <u>(150,875)</u> | <u>-</u> | <u>(121,226)</u> | <u>-</u> | <u>(272,101)</u> |
| Cash and cash equivalents, beginning of year | 1,044,215 | - | 121,226 | - | 1,165,441 |
| Cash and cash equivalents, end of year | <u>\$ 893,340</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 893,340</u> |
| Cash and cash equivalents classified as: | | | | | |
| Unrestricted | \$ 599,215 | \$ - | \$ - | \$ - | \$ 599,215 |
| Restricted | 294,125 | - | - | - | 294,125 |
| Total cash and cash equivalents | <u>\$ 893,340</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 893,340</u> |
| Reconciliation of operating income to net cash provided by (used in) operating activities: | | | | | |
| Operating income (loss) | \$ 1,494,132 | \$ 20 | \$ 297,016 | \$ (207,775) | \$ 1,583,393 |
| Adjustments to reconcile net operating income (loss) to net cash provided by (used in) operating activities: | | | | | |
| Depreciation and amortization | 1,493,625 | 213,559 | 193,221 | 154,784 | 2,055,189 |
| Changes in assets and liabilities: | | | | | |
| Accounts receivable | (69,448) | (22,918) | (30,241) | (12,715) | (135,322) |
| Due from other governments | 543,602 | 26,729 | (28,037) | (2,798,656) | (2,256,362) |
| Lease receivable | - | - | - | 1,113 | 1,113 |
| Special assessments receivable | 9,268 | - | - | - | 9,268 |
| Prepaid items | 3,322 | - | - | (4,043) | (721) |
| Accounts payable and accrued liabilities | (132,706) | (30,895) | (8,966) | 634,622 | 462,055 |
| Deposits | 30,497 | - | - | - | 30,497 |
| Compensated absences | 31,559 | 34,100 | 11,559 | - | 77,218 |
| Total OPEB liability | 8,573 | (924) | 5,385 | - | 13,034 |
| Net cash provided by (used in) operating activities | <u>\$ 3,412,424</u> | <u>\$ 219,671</u> | <u>\$ 439,937</u> | <u>\$ (2,232,670)</u> | <u>\$ 1,839,362</u> |

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

**CITY OF FLAGLER BEACH, FLORIDA
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
SEPTEMBER 30, 2025**

| | Pension Trust Funds |
|--|------------------------------------|
| | |
| ASSETS | |
| Cash and cash equivalents with trustee | \$ 942,784 |
| Total cash and cash equivalents | 942,784 |
| Receivables | |
| Employee contributions receivable | 20,733 |
| State premium taxes | 34,841 |
| Total receivables | 55,574 |
| Investments, at fair value | |
| Mutual funds - equity | 9,065,776 |
| Mutual funds - fixed income | 2,749,576 |
| Total investments | 11,815,352 |
| Total assets | 12,813,710 |
| LIABILITIES | |
| Accounts payable | 50,430 |
| Total liabilities | 50,430 |
| NET POSITION | |
| Restricted for pensions | \$ 12,763,280 |

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

CITY OF FLAGLER BEACH, FLORIDA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

| | Pension Trust Funds |
|--|------------------------------------|
| | |
| Additions | |
| Contributions: | |
| Employer | \$ 644,067 |
| Plan members | 226,583 |
| State - insurance premium taxes | 196,700 |
| Total contributions | 1,067,350 |
| Investment earnings (loss): | |
| Net appreciation (depreciation) in fair value of investments | 1,216,889 |
| Interest and dividends | 253,323 |
| Total investment earnings | 1,470,212 |
| Less: investment expense | (32,250) |
| Net investment income (loss) | 1,437,962 |
| Total additions | 2,505,312 |
| Deductions | |
| Benefit payments and refunds | 441,911 |
| Administrative expenses | 102,506 |
| Total deductions | 544,417 |
| Change in net position | 1,960,895 |
| Net position restricted for pensions, beginning of year | 10,802,385 |
| Net position restricted for pensions, end of year | \$ 12,763,280 |

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

CITY OF FLAGLER BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

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

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

(a) **Reporting entity**—The City of Flagler Beach (City), Florida, Flagler County (County), a political subdivision incorporated in 1946, under the authority of Chapter 165 *Florida Statutes*, was established by Chapter 11.481 Laws of Florida Acts of 1925. The City operates under a Commission-Manager form of government and provides the following services, as authorized by the City Charter: public safety (police, fire, and building departments), highways and streets, culture/recreation, public improvements, planning and zoning, and general government services. As required by accounting principles generally accepted in the United States of America (GAAP), these financial statements present the government and its component units, entities for which the government is considered to be financial accountable. Blended component units, although legally separate entities, are in substance, part of the City's operations and so, data from these units are combined with the data of the primary government. Each discretely presented component unit, on the other hand, is reported in a separate column in the combined financial statements to emphasize that it is legally separate from the City. The City has no discretely presented component units to report.

(b) **Blended component units**—The City has one blended component unit, as follows: The Flagler Beach Community Redevelopment Agency (the CRA) is operated by the City. The CRA was created by City Ordinance 95-24 and 97-21 pursuant to Florida Statute 163.387, for the purpose of rehabilitation, conservation and redevelopment of specific downtown areas of the City. Since the City is financially accountable for the activities of the CRA, its governing commission is the same, and its relationship to the City is significant, its financial activities are reported on a blended basis as if it were part of the primary government as a major special revenue fund.

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

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

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

CITY OF FLAGLER BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

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

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.

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

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary funds and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers property tax revenues to be available if they are collected within 60 days of the end of the current fiscal period. Grants, other intergovernmental revenues, charges for services, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

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

The City reports the following major governmental funds:

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

CITY OF FLAGLER BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

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

The Flagler Beach Community Redevelopment Agency Fund—The City’s special revenue fund. It accounts for revenue sources that are legally restricted to expenditures for the CRA.

Capital Projects Fund—The City’s Capital Projects Fund is used to account for expenditures associated with capital projects within governmental funds and is primarily funded through transfers from the respective funds.

The City reports the following major proprietary funds:

Water and Sewer Fund—The Water and Sewer Fund accounts for the costs and recovery of costs in the form of user charges related to the production, treatment and distribution of potable water.

Sanitation Fund—The Sanitation Fund accounts for the costs and recovery of costs in the form of user charges related to the collection, treatment and disposal of sewage waste with the City.

Stormwater Fund—The Stormwater Fund accounts for the collection of drainage fees utilized for the expansion and maintenance of drainage facilities.

Pier Fund—The Pier Fund accounts for the operations and maintenance of the City pier.

Additionally, the City reports the following fund types:

Pension Trust Funds—The Pension Trust Funds account for the net position held in trust for defined pension benefits and the related financial activities of the employees’ retirement system, which accumulates resources for defined pension benefit payments to the Municipal Police Officers’ Retirement Trust Fund and the Municipal Firefighters’ Pension Trust Fund.

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

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

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

CITY OF FLAGLER BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

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

(e) **Budgets and budgetary accounting**—Annual budgets for all governmental and proprietary funds were adopted in compliance with Florida law. The basis on which the budgets are prepared is consistent with the basis of accounting utilized by the various fund types. The governmental funds' budgets are prepared on the modified accrual basis of accounting. The proprietary funds' budgets are prepared on a full accrual basis of accounting. The City uses the following procedures in establishing the budgetary data reflected in the accompanying financial statements:

- i. On or before July 1st, the City Manager submits a preliminary budget to the City Commission for the ensuing fiscal year.
- ii. Budget workshop sessions are scheduled by the City Commission, as needed.
- iii. A general summary of the budget and notice of public hearing is made available to the public.
- iv. Prior to October 1st, the budget is legally enacted through passage of an ordinance.
- v. The City Commission, by resolution, may make supplemental appropriations in excess of those estimated for the year up to the amount of available revenue. Prior to the end of the fiscal year, supplemental appropriations are made for unanticipated spending requirements by the Commission.
- vi. The City Commission must approve all inter-departmental budget amendments and/or appropriations transfers.
- vii. Budgetary control is exercised at the department level.
- viii. Every appropriation lapses at the close of the fiscal year.

The budgets for governmental funds that were either adopted or amended during the year by the City Commission were prepared using the modified accrual basis of accounting in accordance with generally accepted accounting principles. The general and special revenue funds have legally adopted budgets.

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

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

The City's investment policies are governed by Chapter 280 and 218, Florida Statutes, City Code of Ordinances, and the adopted investment policy. All investments including investments in the City's fiduciary funds are recorded at fair value based on quoted market values, except for the City's investments in the Florida PRIME portion of the State Investment Pool, which are reported at amortized cost, which approximates fair value.

CITY OF FLAGLER BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

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

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

All trade and property tax receivables are reported net of an allowance for uncollectible accounts, which is based upon management's analysis of historical trends. Utility operating sales are generally recognized on the basis of cycle billings rendered monthly. Unbilled accounts receivable are accrued by the City at September 30th, to recognize the sales revenues earned between the last meter reading dates made in mid-September through the end of the fiscal year.

(h) **Leases receivable**—When engaged in long-term leasing activity as the lessor, the City recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements. 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 its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancelable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.
- The City monitors changes in circumstances that would require a remeasurement of its lease, and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

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

CITY OF FLAGLER BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

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

(j) **Capital assets**—Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, drainage improvements, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life of greater than one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized, but charged to operating expense as incurred. Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

| Assets | Years |
|-------------------------|---------------|
| Buildings | 15 – 50 years |
| Improvements | 10 – 50 years |
| Machinery and equipment | 5 – 15 years |
| Infrastructure | 40 years |
| Right-to-use lease | 5 years |

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

(l) **Leases**—The City leases submerged land and equipment, and determines if an arrangement is a lease at inception. The City recognizes intangible right-to-use (RTU) assets and corresponding lease liabilities for all leases that are not considered short-term. RTU assets represent the City’s right to use an underlying asset for the lease term and lease liabilities represent the City’s obligation to make lease payments arising from the lease. RTU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term.

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

Discount Rate – Unless explicitly stated in the lease agreement, known by the City, or the City is able to determine the rate implicit within the lease, the discount rate used to calculate lease right-to-use assets and liabilities will be the City’s tax exempt market borrowing rate for 30 year fixed terms at the end of each year, which will be the rate utilized for the next calendar year. The City elected to use its incremental borrowing rate (IBR) of 3% as of September 30, 2024 for leases entered into beginning October 1, 2024.

CITY OF FLAGLER BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

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

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

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

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

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

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

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

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

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

It is the City's policy to allocate funds equivalent to a minimum of 25% of proposed General Fund budgeted expenditures and designate as emergency reserves to support General Fund emergency operations at the sole discretion of and as declared by the City Commission. The Utility Fund unrestricted net position will be 10% of proposed budgeted operating expenses, excess may be assigned to a rate stabilization fund or transferred to the Utility Capital Projects Fund. The Stormwater Fund unrestricted net position will be 10% of the proposed budgeted expenses, excess may be assigned for future system capital projects. The Sanitation Fund unrestricted net position will be 10% of proposed budgeted operating expenses, excess may be assigned to a rate stabilization fund.

(o) **Deferred outflows/inflows of resources**—In addition to assets, the statement of financial position will sometimes report a separate section for *deferred outflows of resources*. This separate financial statement element represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

CITY OF FLAGLER BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

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

The City has multiple items, deferred outflows related to pensions and OPEB in the proprietary funds and government-wide statement of net position, which qualify for reporting in this category. Deferred outflows related to pensions are discussed further in Note (12) and deferred outflows related to OPEB are discussed further in Note (11).

In addition to liabilities, the statement of financial position will sometimes report a separate section for *deferred inflows of resources*. This separate financial statement element represents an acquisition of net assets that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. Currently, the items in this category are unavailable revenues, which will be recognized as inflows of resources in the period that the amounts become available; deferred inflows relates to leases, as discussed further in Note (4); deferred inflows of resources related to pensions, as discussed further in Note (12); and deferred inflows of resources related to OPEB, as discussed further in Note (11).

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

| | |
|--------------------|---------------------|
| Lien date | June 1 |
| Levy date | November 1 |
| Discount periods | November – February |
| No discount period | March |
| Delinquent date | April 1 |

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

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

CITY OF FLAGLER BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

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

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

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

(3) **Deposits and Investments:**

The City’s investment policies are governed by Chapter 280 and 218, Florida Statutes. For all investments authorized by statute the City applies the “Prudent Person” standard when developing investment strategies. The basic allowable investment instruments are as follows:

The Local Government Surplus Trust Funds or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act of 1969, as provided in s. 163.01

Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency

Interest bearing time deposits or savings accounts in qualified public depositories as defined in Chapter 280, Florida Statutes

Direct obligations of the United States Treasury

Deposits include cash on hand and amounts held in the City’s demand accounts. At September 30, 2025, the carrying amount of the City’s deposits was \$3,585,729. Each demand account is insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Any balance in excess of FDIC insurance is covered by collateral held by the City’s custodial bank, which is pledged to a state trust fund that provides security in accordance with Florida Security for Public Deposits Act, Chapter 280, Florida Statutes.

The Florida Security for Public Deposits Act (the Act) established guidelines for qualification and participation by banks and savings associations, procedures for the administration of the collateral requirements and characteristics of eligible collateral. Under the Act, the qualified public depository must pledge at least 50 percent of the average daily balance for each month of all public deposits in excess of any applicable deposit insurance. Additional collateral, up to a maximum of 125 percent, may be required, if deemed necessary under the conditions set forth in the Act.

Obligations pledged to secure deposits must be delivered to the State Treasurer or, with the approval of the State Treasurer, to a bank, savings association, or trust company provided a power of attorney is delivered to the Treasurer. Under the Act, the pool may assess participating financial institutions on a pro rata basis to fund any shortfall in the event of the failure of a member institution.

CITY OF FLAGLER BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

(3) **Deposits and Investments:** (Continued)

Credit Risk: Credit risk is the risk that a debt issuer or other counter-party to an investment will not fulfill its obligations. The City has no investment policy that would limit its investment choices due to credit risk other than State statutes governing investments listing in Florida Statutes, Section 218.415.

Custodial Credit Risk—Deposits: In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. Pursuant to the applicable provisions of Chapter 280, Florida Statutes, *The Florida Security for Public Deposits Act*, the State of Florida, Department of Financial Services, Division of Treasury, Bureau of Collateral Management have established specific requirements relative to the security and collateralization for public deposits. Accordingly, banks qualifying as a public depository in the State of Florida must adopt the necessary procedures outlined in these statutes and meet all of the requirements of this chapter to be designated by the State Chief Financial Officer (CFO) as eligible to receive deposits from municipal depositors. Collateral having a market value equal to 50% of the average daily balance for each month of all public deposits in excess of any applicable depository insurance is required to be pledged or deposited with the State CFO to secure such deposits. Additional collateral, up to a maximum of 125% may be required if deemed necessary under the conditions set forth in the Act. Securities eligible to be pledged as collateral are generally limited to obligations of the United States government and any state thereof and are held in the name of the State CFO's office. Compliance with the provisions of Chapter 280, Florida Statutes, is monitored by a Qualified Public Depository Oversight Board with members appointed by the State CFO.

The City invests temporarily idle resources in the Local Government Investment Pool (State Pool). The State Pool is administered by the Florida Prime Investment Pool, who provides regulatory oversight. Florida Prime Investment Pool (Florida PRIME) is similar to money market funds in which units are owned in the fund rather than the underlying investments. These investments are reported at amortized cost and meet the requirements of GASB Codification Section I50, *Investments*, which establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. There is no limitation or restrictions on withdrawals from Florida PRIME; although in the occurrence of an event that has a material impact on liquidity or operations of the trust fund, the funds' executive director may limit contributions to or withdrawals from the trust fund for a period of 48 hours.

The City has investments in Florida Municipal Investment Trust (FMIT). The FMIT is an external pool established in 1993 and administered by the Florida League of Cities, Inc. pursuant to the laws of the State of Florida. The FMIT is exempt from registration under the Securities Act of 1933, the Investment Company Act of 1940 and the Florida Securities and Investors Protection Act. Participants in the FMIT are limited to governmental entities in the State of Florida. The FMIT has adopted GASB Codification Section I50, *Investments*, and the fair value of the City's position in the FMIT is the same as the fair value of the FMIT shares. The investment in the pool is not evidenced by securities that exist in physical or book entry form.

CITY OF FLAGLER BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

(3) **Deposits and Investments:** (Continued)

The City measures and records its investments, assets whose use is limited, and restricted assets using fair value measurement guidelines, which recognize a three-tiered fair value hierarchy, as follows:

- *Level 1: Quoted* prices for identical investments in active markets;
- *Level 2: Observable* inputs other than quoted market prices; and,
- *Level 3: Unobservable* inputs.

The following chart shows the City’s cash and investment accounts by investment portfolios and their respective maturities (in years) and fair value measurement levels as of September 30, 2025:

| Investment Type | Carrying Value | Weighted Average Maturity (years) | Credit Rating (Fitch) | Fair Value Hierarchy Classification |
|--|-----------------------|--|------------------------------|--|
| Pooled Funds – 0-2 Year High Quality Bond Fund | \$ 3,058,243 | 0.90 | AAAf/S1 | Level 2 |
| Pooled Funds – 1-3 Year High Quality Bond Fund | 4,109,128 | 1.90 | AAAf/S2 | Level 2 |
| Pooled Funds – Intermediate High Quality Bond Fund | 1,755,986 | 4.80 | AAf/S3 | Level 2 |
| Florida PRIME | 17,827,855 | 47 days | AAA _m (S&P) | N/A |
| Cash and cash equivalents | 3,879,854 | N/A | NR | N/A |
| Total Portfolio | <u>\$ 30,631,066</u> | | | |

Pension Plan Investments

The City’s Pension plans have adopted investment policies which authorizes the pension managers to invest in the following:

Police Plan—Money market accounts, fixed income investments rated “A” or better (10% individual issuer limitation), equities traded on a national stock exchange (5% issuer limitation), and pooled funds such as mutual funds and ETFs.

Fire Plan—Money market accounts, fixed income investments rated “A” or better (10% individual issuer limitation), equities traded on a national stock exchange (5% issuer limitation), and pooled funds such as mutual funds and ETFs.

The pension plans measure and record investments using fair value measurement guidelines utilizing the same three-tiered fair value hierarchy as the City.

CITY OF FLAGLER BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

(3) **Deposits and Investments:** (Continued)

The following is a description of the valuation techniques used for assets measured at fair value:

Corporate and Municipal Debt Obligations—Valued based on face value of the instruments adjusted for inflation and interest maturities.

Corporate and Equity Securities—Valued at fair value based on quoted market prices at year end.

Mutual Funds (fixed income and equity)—Valued based on face value of the instruments adjusted for inflation and interest maturities.

Real Estate Funds—Valued based upon the underlying investments’ most recent audited financial statements.

A summary of investments held at fair value as of September 30, 2025, is as follows:

| | Fair Value | Level 1 |
|-----------------------------|-------------------|----------------|
| Investments, at fair value | | |
| Corporate equity securities | \$ 9,065,776 | \$ 9,065,776 |
| Mutual funds - fixed income | 2,749,576 | 2,749,576 |
| Total investments | \$ 11,815,352 | \$ 11,815,352 |

The pension plans also held a total of \$942,784 of cash and cash equivalents held in the pension trust funds.

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of investments. Generally, the longer the time to maturity, the greater the exposure to interest rate risk. The City’s investment policy requires diversifying investments to control the risk of loss resulting from over-concentrations of assets in a specific maturity.

Credit Risk: Credit risk is the risk that a debt issuer or other counter-party to an investment will not fulfill its obligations. The Pension Plans utilize portfolio diversification in order to limit investments to the highest rated securities as rated by nationally recognized rating agencies and credit rating limitations are in place through the plan investment policies. All investments rated within the investment policy guidelines at September 30, 2025.

Concentration of Credit Risk: The City’s pension plans have varying limitations on investment in single-issuers as discussed in the authorized investments note. At September 30, 2025, the investment portfolios met the single issuer limitations.

Custodial Credit Risk: Custodial credit risk is the risk that the City may not recover cash and investments held by another party in the event of financial failure. Custodial credit risk is limited since investments are held in independent custodial safekeeping accounts or mutual funds.

CITY OF FLAGLER BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

(3) **Deposits and Investments:** (Continued)

Foreign Currency Risk: Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. The Pension trust funds policies allow for up to 25% percent of its investments in common stock, capital stock and convertible securities at market value in foreign securities. At September 30, 2025, the investment portfolios met the foreign securities limitations.

(4) **Accounts Receivable:**

The City's receivables consisted of the following at September 30, 2025:

| | Gross Receivable | Allowance for Doubtful Accounts | Net Receivable |
|-----------------------------------|-----------------------------|--|---------------------------|
| Governmental Activities: | | | |
| General Fund | \$ 301,498 | \$ (2,618) | \$ 298,880 |
| Total – Governmental Activities | 301,498 | (2,618) | 298,880 |
| Business-Type Activities: | | | |
| Pier Fund | 31,054 | - | 31,054 |
| Water and Sewer Fund | 1,186,994 | (89,166) | 1,097,828 |
| Sanitation Fund | 194,892 | (12,285) | 182,607 |
| Stormwater Fund | 109,068 | (4,931) | 104,137 |
| Totals – Business-Type Activities | 1,522,008 | (106,382) | 1,415,626 |
| Totals | \$ 1,823,506 | \$ (109,000) | \$ 1,714,506 |

In addition to accounts receivable, the City also recorded \$4,058,236 in due from other governments at September 30, 2025. These amounts reflect management's best estimate of recoveries based on costs incurred and approved projects and are subject to change pending adjustments made by the respective Federal and/or State agencies.

The City also recorded special assessments receivable of \$92,709, of which \$47,332 represents the balance remaining as of September 30, 2025, on the financing by the property owners of the Morningside Subdivision for Sewer System Construction, which was completed during the year ended September 30, 2014, at an original amount financed totaling approximately \$630,000.

In fiscal year 2014, pursuant to Resolutions 2013-05 and 2014-11, the City levied a special assessment for certain benefiting property owners to fund sanitary sewer improvements in the Morningside subdivision. The sanitary sewer improvements were constructed by the City, which retained ownership of the improvements. Related to the special assessment, the City entered into agreements with the individual property owners in the Morningside subdivision under which the City has financed and will collect \$632,997 plus interest at 4.75% per annum from this special assessment to fund these improvements. At September 30, 2025, \$92,709 of the original principal portion of the special assessment is reported as Special assessments receivable – restricted, and \$7,709 was included with interest earnings in the Water & Sewer Fund.

CITY OF FLAGLER BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

(5) Interfund Loans and Transfers:

The outstanding balances between funds result mainly from the time lag between the dates reimbursable expenditures occur, when transactions are recorded in the accounting system, and when payments between funds are made. At September 30, 2025, individual fund interfund receivables and payables for the primary government were comprised of the following:

| | Due from Other Funds | Due to Other Funds |
|---------------------------|---------------------------------|-------------------------------|
| Governmental Activities: | | |
| General Fund: | | |
| CRA Fund | \$ 74 | 8,740 |
| Capital Projects Fund | 1,801,342 | 1,264,564 |
| Water & Sewer Fund | 247,352 | 11,920,206 |
| Sanitation Fund | 51,231 | 488,407 |
| Stormwater Fund | 70,581 | 1,165,420 |
| Pier Fund | 375,153 | 1,057,329 |
| Town Center CRA Fund: | | |
| General Fund | 8,740 | 74 |
| Capital Projects Fund | - | 629,100 |
| Capital Projects Fund: | | |
| General Fund | 1,264,564 | 1,801,342 |
| CRA Fund | 629,100 | - |
| Business Type Activities: | | |
| Water & Sewer Fund: | | |
| General Fund | 11,920,206 | 247,352 |
| Sanitation Fund | - | 97,235 |
| Stormwater Fund | - | 58,864 |
| Sanitation Fund: | | |
| General Fund | 488,407 | 51,231 |
| Water & Sewer Fund | 97,235 | - |
| Stormwater Fund: | | |
| General Fund | 1,165,420 | 70,581 |
| Water & Sewer Fund | 58,864 | - |
| Pier Fund: | | |
| General Fund | 1,057,329 | 375,153 |
| Totals - All Funds | \$ 19,235,598 | \$ 19,235,598 |

Transfers are used to (1) move revenues from the fund with collection authorization to the debt service fund as debt service principal and interest payments become due, (2) move restricted amounts from borrowings to the debt service funds to establish and maintain mandatory reserve and sinking fund accounts, (3) move revenues from proprietary fund operations to the general fund for payments in lieu of taxes, and (4) move unrestricted revenues to finance various programs that the City must account for in other funds in accordance with budgetary authorizations, including amounts provided as matching funds for various grant programs.

CITY OF FLAGLER BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

(5) **Interfund Loans and Transfers:** (Continued)

For the year ended September 30, 2025, individual transfers for the primary government were comprised of the following:

| | Transfer From | Transfer To |
|---------------------------|----------------------|---------------------|
| Governmental Activities: | | |
| General Fund: | | |
| Capital Projects Fund | \$ - | \$ 1,203,168 |
| Sanitation | - | 60,800 |
| Pier Fund | - | 745,372 |
| CRA Fund: | | |
| Capital Projects Fund | - | 629,100 |
| Capital Projects Fund: | | |
| General Fund | 18,750 | - |
| Debt Service Funds | 1,184,418 | - |
| CRA Fund | 629,100 | - |
| Business-Type Activities: | | |
| Sanitation Fund: | | |
| General Fund | 60,800 | - |
| Pier Fund: | | |
| General Fund | 745,372 | - |
| | \$ 2,638,440 | \$ 2,638,440 |

CITY OF FLAGLER BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

(6) Capital Assets:

Capital asset activity for the fiscal year ended September 30, 2025, is as follows:

Governmental activities:

| | <u>Beginning Balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balance</u> |
|---|--------------------------|---------------------|---------------------|-----------------------|
| Capital assets not being depreciated: | | | | |
| Land | \$ 2,601,023 | \$ - | \$ - | \$ 2,601,023 |
| Construction in progress | 105,855 | 738,568 | (451,802) | 392,621 |
| Total assets not being depreciated | <u>2,706,878</u> | <u>738,568</u> | <u>(451,802)</u> | <u>2,993,644</u> |
| Capital assets being depreciated: | | | | |
| Buildings | 3,426,937 | - | - | 3,426,937 |
| Improvements | 4,621,484 | 847,060 | - | 5,468,544 |
| Machinery and equipment | 4,835,952 | 688,750 | (556,698) | 4,968,004 |
| Infrastructure | 6,985,958 | - | - | 6,985,958 |
| Total assets being depreciated | 19,870,331 | 1,535,810 | (556,698) | 20,849,443 |
| Less: accumulated depreciation | (12,081,505) | (1,128,921) | 556,698 | (12,653,728) |
| Total capital assets being depreciated, net | 7,788,826 | 406,889 | - | 8,195,715 |
| Governmental activities capital assets, net | <u>\$ 10,495,704</u> | <u>\$ 1,145,457</u> | <u>\$ (451,802)</u> | <u>\$ 11,189,359</u> |

Business-type activities:

| | <u>Beginning Balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balance</u> |
|---|--------------------------|---------------------|-----------------------|-----------------------|
| Capital assets not being depreciated: | | | | |
| Land | \$ 1,648,235 | \$ - | \$ - | \$ 1,648,235 |
| Construction in progress | 4,440,598 | 5,697,640 | (1,887,419) | 8,250,819 |
| Total assets not being depreciated | <u>6,088,833</u> | <u>5,697,640</u> | <u>(1,887,419)</u> | <u>9,899,054</u> |
| Capital assets being depreciated and amortized: | | | | |
| Buildings | 12,659,712 | - | - | 12,659,712 |
| Improvements | 27,267,456 | 2,136,828 | - | 29,404,284 |
| Machinery and equipment | 7,075,397 | 166,438 | (31,474) | 7,210,361 |
| Infrastructure | 5,808,618 | - | - | 5,808,618 |
| Right to use asset - land | 15,831 | - | - | 15,831 |
| Total assets being depreciated and amortized | 52,827,014 | 2,303,266 | (31,474) | 55,098,806 |
| Less: accumulated depreciation and amortization | (23,493,961) | (2,055,189) | 31,474 | (25,517,676) |
| Total capital assets being depreciated and amortized, net | 29,333,053 | 248,077 | - | 29,581,130 |
| Business-type activities capital assets, net | <u>\$ 35,421,886</u> | <u>\$ 5,945,717</u> | <u>\$ (1,887,419)</u> | <u>\$ 39,480,184</u> |

CITY OF FLAGLER BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

(6) **Capital Assets:** (Continued)

Depreciation expense was charged to functions/programs as follows:

| | |
|--|--------------|
| Governmental activities: | |
| General government | \$ 655,977 |
| Public safety | 335,988 |
| Public works | 27,522 |
| Culture and recreation | 109,434 |
| Total depreciation expense - governmental activities | \$ 1,128,921 |
| | |
| Business-type activities: | |
| Water and Sewer | \$ 1,493,625 |
| Sanitation | 213,559 |
| Stormwater | 193,221 |
| Pier | 154,784 |
| Total depreciation/amortization expense - business-type activities | \$ 2,055,189 |

(7) **Leases:**

(a) **City as Lessor**—The City is the lessor in a lease agreements for one building facility. A lease receivable and deferred inflow of resources was recorded for this leases.

In 2012, the City entered into a lease agreement with the Tenant for the leasing of the pier restaurant. Based on the terms of the agreement, the initial ten-year lease began on October 1, 2012, expired on September 30, 2022, and was extended for five years. Annual rentals under the lease agreement include minimum monthly payments of \$3,914 and will increase 3% annually. For the year ended September 30, 2025, the City recognized \$49,471 in lease revenue and (\$1,229) in interest revenue related to this lease. As of September 30, 2025, the City’s receivable for lease payments was \$100,985 and for interest payments was \$252. Also, the City has a deferred inflow of resources associated with this lease that will be recognized over the lease term. As of September 30, 2025, the balance of the deferred inflow of resources was \$89,876.

The principal and interest requirements to maturity for this lease as of September 30, 2025, are as follows:

| Year Ending September 30, | Principal | Interest | Total Payments |
|------------------------------------|------------|----------|----------------|
| 2026 | \$ 48,967 | \$ 2,360 | \$ 51,327 |
| 2027 | 52,018 | 849 | 52,867 |
| Total future minimum lease payment | \$ 100,985 | \$ 3,209 | \$ 104,194 |

(b) **City as Lessee**—The City is the lessee in one lease agreement for submerged land for the Pier Fund. A lease liability and a right-to-use asset was recorded for this lease in that funds.

CITY OF FLAGLER BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

(7) **Leases:** (Continued)

In 2017, the City entered into a 60 month lease agreement with the Board of Trustees of the Internal Improvement Trust Fund of the State of Florida for submerged land valued at \$15,831. The initial lease expired in October 2022 and was renewed for an additional five-year period. A right-to-use asset and initial lease liability was recorded by the City during the current fiscal year. As of September 30, 2025, the value of the lease liability was \$5,536. The City is required to make annual principal and interest payments of \$2,895. The City's incremental borrowing rate (IBR) was calculated at 3.0% at September 30, 2024, and was the discount rate utilized in the current year for this lease. The land has a five-year useful life. The value of the right-to-use assets as of September 30, 2025 was \$15,831 and had accumulated amortization of \$10,409.

Lease expense for the right-to-use assets for the years ended September 30, 2025, was as follows:

| September 30, 2025 | Business-type Activities |
|-------------------------------|-------------------------------------|
| Amortization expense | \$ 2,602 |
| Interest on lease liabilities | 175 |
| Total | \$ 2,777 |

The principal and interest requirements to maturity for the lease liability as of September 30, 2025, is as follows:

| Business-type Activities | Principal | Interest | Total Payments |
|-------------------------------------|------------------|-----------------|-----------------------|
| Year Ending September 30, | | | |
| 2026 | \$ 2,726 | \$ 168 | \$ 2,895 |
| 2027 | 2,809 | 85 | 2,895 |
| Total future minimum lease payments | <u>\$ 5,536</u> | <u>\$ 254</u> | <u>\$ 5,790</u> |

(8) **Long-Term Liabilities:**

Long-term liability activity for the year ended September 30, 2025, was as follows:

| | Beginning Balance | Additions | Deletions | Ending Balance | Due Within One Year |
|---------------------------------|------------------------------|-------------------|---------------------|---------------------------|--------------------------------|
| Governmental activities: | | | | | |
| Notes payable | \$ 347,000 | \$ - | \$ (66,000) | \$ 281,000 | \$ - |
| Compensated absences | 426,153 | 329,203 | (81,158) | 674,198 | 46,311 |
| Total long-term liabilities | <u>\$ 773,153</u> | <u>\$ 329,203</u> | <u>\$ (147,158)</u> | <u>\$ 955,198</u> | <u>\$ 46,311</u> |

CITY OF FLAGLER BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

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

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Deletions</u> | <u>Ending Balance</u> | <u>Due Within One Year</u> |
|----------------------------------|------------------------------|---------------------|---------------------|---------------------------|--------------------------------|
| Business-type activities: | | | | | |
| Notes payable | \$ 2,448,027 | \$ 2,374,668 | \$ (586,724) | \$ 4,235,971 | \$ 494,720 |
| Lease liability | 8,182 | - | (2,646) | 5,536 | 2,726 |
| Compensated absences | 90,105 | 196,339 | (119,121) | 167,323 | 52,356 |
| Total long-term liabilities | <u>\$ 2,546,314</u> | <u>\$ 2,571,007</u> | <u>\$ (708,491)</u> | <u>\$ 4,408,830</u> | <u>\$ 549,802</u> |

Notes payable in the City's governmental activities at September 30, 2025, were comprised of the following obligations:

Refunding Revenue Note, Series 2015, issued to (1) refund the City's outstanding stormwater revenue note, series 2015, (2) refund the outstanding principal amount of the 2009 CRA Note, and (3) pay related costs of issuance. The series 2015 note is secured by the City's covenant to budget and appropriate from legally available non-ad valorem revenues of the City. The note is split 43% and 57% between governmental and business type activities, respectively. The interest rate is 2.53% and the note matures October 2029. Principal payments are due annually on October 1st and interest payments are due semiannually on October 1st and April 1st. The outstanding balance at September 30, 2025, was \$281,000.

Annual debt service requirements to maturity for the City's governmental activities notes payable are as follows:

| <u>Year Ending September 30,</u> | Governmental Activities | | <u>Total</u> |
|--------------------------------------|----------------------------------|------------------|-------------------|
| | Revenue Bonds & Notes | | |
| | <u>Principal</u> | <u>Interest</u> | |
| 2026 | \$ - | \$ 3,555 | \$ 3,555 |
| 2027 | 68,000 | 6,249 | 74,249 |
| 2028 | 69,000 | 4,517 | 73,517 |
| 2029 | 71,000 | 2,745 | 73,745 |
| 2030 | 73,000 | 923 | 73,923 |
| 2031-2035 | - | | |
| 2036-2040 | | | |
| 2041 | | | - |
| Total | <u>\$ 281,000</u> | <u>\$ 17,989</u> | <u>\$ 298,989</u> |

Notes payable in the City's business-type activities at September 30, 2025, were comprised of the following obligations:

In January 2005, the City entered into an agreement with the State of Florida, Department of Environmental Protection for a \$3,375,000 loan for a water treatment plant expansion project at an interest rate of 2.67% per year. In June 2006, the loan was amended to include an additional \$3,158,750 with an interest rate of 2.65%. In July 2007, the loan was amended to include an additional \$3,280,134 with an interest rate of 2.64%. The semi-annual payment is due January 15th and July 15th. The loan is collateralized by the pledged revenues of the water and sewer system and carries with it certain rate coverage requirements, which the City was in compliance with at September 30, 2025. The outstanding balance at September 30, 2025, was \$680,460 and the note matures in 2027. Pledged revenues for the note payable was 13.86 times the annual debt service, which is enough to meet requirements of the note.

CITY OF FLAGLER BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

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

Refunding Revenue Note, Series 2015, issued to (1) refund the City's outstanding stormwater revenue note, series 2015, (2) refund the outstanding principal amount of the 2009 CRA Note, and (3) pay related costs of issuance. The series 2015 note is secured by the City's covenant to budget and appropriate from legally available non-ad valorem revenues of the City. The note is split 43% and 57% between governmental and business type activities, respectively. The interest rate is 2.53% and the note matures October 2029. Principal payments are due annually on October 1st and interest payments are due semiannually on October 1st and April 1st. The outstanding balance at September 30, 2025, was \$444,000.

In July 2020, the City entered into an agreement with the State of Florida, Department of Environmental Protection for a \$900,000 loan for design activities related to Wastewater Treatment Facility Construction, at an interest rate of 0.58% per year. In August 2022, the loan was amended to be reduced by \$7,047. The first semi-annual payment is due August 15, 2022. The loan is collateralized by the pledged revenues of the water and sewer system and carries with it certain rate coverage requirements, which the City was in compliance with at September 30, 2025. The outstanding balance at September 30, 2025, was \$736,843 and the note maturity is estimated to occur in 2035.

In April 2025, the City entered into a non-revolving draw-down line of credit agreement in an amount not to exceed \$21,000,000. The agreement matures on November 1, 2027. Borrowings under the agreement bear interest at a variable rate per annum equal to the sum of (i) 79% of One-Month Term SOFR plus (ii) 0.70% (70 basis points). Interest is calculated on a 360-day year consisting of twelve 30-day months. As of September 30, 2025, the City had \$2,374,668 outstanding under the agreement.

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

| Year Ending September 30, | Business-type Activities | | | | Total |
|------------------------------|----------------------------------|------------------|---------------------|------------------|---------------------|
| | Revenue Bonds & Notes | | SRF Loans | | |
| | Principal | Interest | Principal | Interest | |
| 2026 | \$ - | \$ 12,549 | \$ 494,720 | \$ 19,384 | \$ 526,653 |
| 2027 | 107,000 | 9,880 | 274,154 | 7,072 | 398,106 |
| 2028 | 2,484,668 | 7,135 | 44,593 | 3,761 | 2,540,157 |
| 2029 | 112,000 | 4,327 | 44,852 | 3,502 | 164,681 |
| 2030 | 115,000 | 1,455 | 45,113 | 3,242 | 164,810 |
| 2031-2035 | - | - | 229,523 | 12,255 | 241,778 |
| 2036-2040 | - | - | 236,269 | 18,342 | 254,611 |
| 2041 | - | - | 48,079 | 4,553 | 52,632 |
| Total | \$ 2,818,668 | \$ 35,346 | \$ 1,417,303 | \$ 72,111 | \$ 4,343,428 |

In general, an event of default will occur if the City fails to make a payment of principal and interest when such amounts are due and payable or if the City fails to punctually perform any of the material covenants, conditions, agreements and provisions contained in a debt indenture. In the event of default, the note holders shall be entitled to sue for, enforce payment of, and receive any and all amounts due from the City for principal and interest. In addition, the notes shall bear interest at the default rate; the City may be subject to a late fee; and the City may be required to pay all of the note holders' attorney's fees incurred to remedy the default.

**CITY OF FLAGLER BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025**

(9) Commitments and Contingencies:

The City is engaged in various liability claims incidental to the conduct of its general government operations at September 30, 2025. The outcomes of established claims are included in these financial statements. In the opinion of the City’s legal counsel, no legal proceedings are pending or threatened against the City which are not covered by applicable insurance which would inhibit its ability to perform its operations or materially affect its financial condition.

The City has active construction projects with uncompleted work commitments of \$18,262,687 as of September 30, 2025.

(10) Risk Management:

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

(11) Other Postemployment Benefits (OPEB):

Plan Description—City of Flagler Beach, Florida, Post-Retirement Benefits Plan (the Plan) is a single-employer healthcare plan administered by the City. Pursuant to Section 112.0801, Florida Statutes, the City is required to permit participation in the Plan to retirees and their eligible dependents at a cost to the retiree that is no greater than the cost at which coverage is available for active employees. Eligible individuals include all regular employees of the City who retire from active service under one of the pension plans sponsored by the City. Under certain conditions, eligible individuals also include spouses and dependent children. The Plan does not issue a publicly available financial report.

Funding Policy—The contribution requirements of plan members and the City are established by state statutes and may be amended by the state legislature. The required contribution is based on projected pay-as-you-go financing requirements and is subject to constant revision. The City has opted to not fund the total OPEB obligation or the resulting unfunded actuarial accrued liability on an annual basis. The City utilizes the General Fund to liquidate the liability for the OPEB obligation from previous years.

Benefits Provided—The Other Post Employment Benefit Plan is a single-employer benefit plan administered by the City. Retirees are charged whatever the insurance company charges for the type of coverage elected, however, the premiums charged by the insurance company are based on a blending of the experience among younger active employees and older retired employees. The older retirees actually have a higher cost which means the City is actually subsidizing the cost of the retiree coverage because it pays all or a significant portion of the premium on behalf of the active employee, known as the “implicit rate subsidy.”

Plan Membership—At September 30, 2023, the date of the latest actuarial valuation, plan participation consisted of the following:

| | |
|--------------------|----|
| Active Employees | 80 |
| Inactive Employees | - |
| | 80 |
| | 80 |

CITY OF FLAGLER BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

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

Total OPEB Liability—The City’s total OPEB liability of \$440,077 was measured as of September 30, 2024, and was determined by an actuarial valuation as of September 30, 2024, utilizing the Alternative Measurement Method for small plans as permitted under GASB 75.

Actuarial Assumptions and Other Inputs—The total OPEB liability in the September 30, 2025, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods in the measurement, unless otherwise specified:

| | |
|--|---------|
| Inflation | 2.50% |
| Salary increases | 2.50% |
| Discount rate | 4.06% |
| Healthcare cost trend rate | 7.00% |
| Ultimate rate reached in 2075 | 4.00% |
| Retirees’ share of benefit-related costs | 100.00% |

Changes of assumptions reflect a change in the discount rate from 4.87% for the fiscal year ending September 30, 2024 to 4.06% for the fiscal year ending September 30, 2025. The City does not have a dedicated Trust to pay retiree healthcare benefits. The discount rate was based on the September 30, 2023 S&P Municipal Bond 20 Year High Grade Rate Index as published by the S&P Dow Jones Indices.

Mortality rates were based on the PuBG-2010 Mortality Tables.

For the fiscal year ended September 30, 2025, changes in the total OPEB liability were as follows:

| | |
|---|--------------------------|
| Balance at September 30, 2024 | <u>\$ 368,476</u> |
| Changes for a year: | |
| Service cost | 35,584 |
| Interest | 19,204 |
| Changes of assumptions | 36,523 |
| Difference between expected and actual experience | - |
| Changes of benefit terms | - |
| Benefit payments – implicit rate subsidy | <u>(19,710)</u> |
| Net changes | <u>71,601</u> |
| Balance at September 30, 2025 | <u><u>\$ 440,077</u></u> |

Sensitivity of the total OPEB liability to changes in the discount rate:

The following presents the total OPEB liability of the City calculated using the discount rate of 4.06%, as well as what the City’s total OPEB liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate:

| | 1% Decrease | Current Discount Rate | 1% Increase |
|----------------------|-------------|--------------------------|-------------|
| Total OPEB Liability | \$ 492,888 | \$ 440,077 | \$ 395,681 |

**CITY OF FLAGLER BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025**

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

Sensitivity of the total OPEB liability to changes in the healthcare cost trend 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 healthcare cost trend rates that are 1% lower (3.00%-6.00%) or 1% higher (5.00%-8.00%) than the current healthcare cost trend rates (4.00%-7.00%):

| | 1% Decrease | Current Trend Rates | 1% Increase |
|----------------------|-------------|------------------------|-------------|
| Total OPEB Liability | \$ 391,410 | \$ 440,077 | \$ 498,194 |

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended September 30, 2025, the City recognized OPEB expense of \$94,511. At September 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|-----------------------------------|----------------------------------|
| Contributions subsequent to measurement date | \$ 22,390 | \$ - |
| Total | \$ 22,390 | \$ - |

Deferred outflows for contributions subsequent to the measurement date will be recognized in fiscal year 2026.

(12) **Employee Retirement Systems and Pension Funds:**

General Employees - Defined Contribution Plan

The City Commission has adopted the International City Management Association Retirement corporation (ICMA-RC) Money Purchase Plan and Trust, as amended, effective March 10, 2016. The plan is available to the general employees who are not in one of the other City retirement plans. City contributions to the ICMA-RC Money Purchase Plan and trust for general employees shall be 6.5% of each participant's earnings for the plan year. Participants are not permitted to make contributions. City contributions fully vest in the year they are contributed. For the year ended September 30, 2025, actual employer contributions to this plan totaled \$276,633.

Municipal Police Officers' and Firefighters' Defined Benefit Pension Plans

The City's pension plans are established by various City ordinances. The City maintains two separate single employer benefit pension plans which cover firefighters and police officers. The City's ordinances governing the firefighters' and police officers' plans were written in compliance with the provisions of Florida Statutes, Chapters 175 and 185, respectively.

Plan Description and Administration

The City's pension plans are single employer defined benefit pension plans administered by a board of trustees. The board of trustees for each pension plan consists of two Commission appointees, two members of the plan elected by the plan membership, and one member elected by the other four members and appointed by the Commission.

**CITY OF FLAGLER BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025**

(12) **Employee Retirement Systems and Pension Funds:** (Continued)

No standalone financial reports exist for the pension plans. All financial activity is reported within the accompanying financial statements. Investments are reported at fair value and are managed by third party money managers. The City’s independent custodian and the individual money managers price each instrument (using various third-party pricing sources) and reconcile material differences. Investments that do not have an established market are reported at estimated fair value. Performance reporting, manager fees, and the City’s asset valuation are based on the custodian’s determination of value.

Costs incurred by each of the plans for administration of the plans, which includes legal and actuarial fees, trustee fees and investment advisory fees, are borne by the respective retirement plans and are included in the actuarial analysis of the required funding amounts.

Benefits Provided and Employees Covered

Each Plan provides retirement, disability, and death benefits to plan participants and beneficiaries. Current membership in the employee retirement plans was composed of the following at October 1, 2024:

| | Police Plan | Fire Plan |
|--|--------------------|------------------|
| Inactive plan members or beneficiaries receiving benefits | 8 | 6 |
| Inactive plan members entitled to but not yet receiving benefits | 9 | 7 |
| Active participants | 14 | 14 |
| Total current membership | 31 | 27 |

A summary of the benefits provided under each plan are as follows:

Police Officers Plan

- Normal Retirement Benefits: 3.50% of average final compensation times credited service
- Normal Retirement Age: Earlier of: 1) age 55 and 10 years of credited service or 2) 20 years of credited service, regardless of age
- Vesting Schedule: 100% after 10 years of credited service
- Vesting Benefit Amount: Members will receive the vested portion of accrued benefit at the otherwise normal retirement date
- Disability Eligibility Service Incurred: Covered from date of employment
- Disability Eligibility Nonservice Incurred: 10 years of credited service
- Disability Benefit: Benefit accrued to date of disability but not less than 42% of average final compensation (service incurred) or 3.19% of average final compensation multiplied by the total years of service (nonservice incurred)
- Pre-Retirement Death Benefits Vested: Monthly accrued benefit payable to designated beneficiary for 10 years
- Pre-Retirement Death Benefits Non-Vested: Refund of accumulated contributions without interest
- Share Plan: Pursuant to Chapter 2015-39, Laws of Florida, a supplemental benefit component for special benefits exists but is not currently funded per mutual consent between the City and membership.

**CITY OF FLAGLER BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025**

(12) **Employee Retirement Systems and Pension Funds:** (Continued)

Firefighters Plan

- Normal Retirement Benefits: 3.0% of average final compensation times credited service
- Normal Retirement Age: Earlier of age 55 and 10 years of credited service or age 52 and 25 years of credited service
- Early Retirement Benefits: Accrued benefit reduced 3% for each year commencement occurs prior to age 55
- Early Retirement Age: Age 50 and 10 Years of credited service
- Vesting Schedule: 100% after 10 years of credited service
- Vesting Benefit Amount: Members will receive the vested portion of accrued benefit at the otherwise normal retirement date
- Disability Eligibility Service Incurred: Covered from date of employment
- Disability Eligibility Nonservice Incurred: 10 years of credited service
- Disability Benefit: Benefit accrued to date of disability but not less than 42% of average final compensation (service incurred) or 25% of average final compensation (nonservice incurred)
- Pre-Retirement Death Benefits Vested: Monthly accrued benefit payable to designated beneficiary for 10 years
- Pre-Retirement Death Benefits Non-Vested: Refund of accumulated contributions without interest
- Share Plan: Pursuant to Chapter 2015-39, Laws of Florida, a supplemental benefit component for special benefits exists but is currently not funded.

The most recent experience studies for the police and fire plans were conducted as of August 1, 2025 and October 30, 2025, respectively.

Contributions

Members contribute ten percent (police) or five percent (fire) of their pretax earnings. The City contributes the remaining amount required in order to pay current costs and amortize unfunded past service cost, if any, over thirty years. The State of Florida contributes any monies received by reason of the laws of the State for the purpose of funding and paying for retirement benefits.

For the year ended September 30, 2025, contributions to the City's pension plans were as follows:

| | Police Plan | Fire Plan | Total |
|----------------------------|--------------------|-------------------|---------------------|
| Employee contributions | \$ 148,136 | \$ 78,447 | \$ 226,583 |
| City contributions | 553,347 | 90,720 | 644,067 |
| State contributions | 87,417 | 109,283 | 196,700 |
| Total contributions | \$ 788,900 | \$ 278,450 | \$ 1,067,350 |

CITY OF FLAGLER BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

(12) **Employee Retirement Systems and Pension Funds:** (Continued)

Investment Policy

See Note (2)(b) for additional discussion of the investment policies for each of the Plans. The following was the asset allocation policy for each of the plans at September 30, 2025:

| Asset Class | Target Asset Allocation | |
|---------------------------|-------------------------|-----------|
| | Police Plan | Fire Plan |
| Domestic equity | 50% | 50% |
| International equity | 15% | 15% |
| Broad Market Fixed Income | 35% | 35% |

Net Pension Liability (Asset)

The components of the net pension liability (asset) of the pension plans at September 30, 2025, were as follows:

| | Police Plan | Fire Plan | Total |
|---|--------------|--------------|---------------|
| Total pension liability | \$ 8,003,089 | \$ 2,858,919 | \$ 10,862,008 |
| Plan fiduciary net position | (7,281,915) | (3,520,470) | (8,059,229) |
| Net pension liability (asset) | \$ 721,174 | \$ (661,551) | \$ 59,623 |
| Plan fiduciary net position as percentage of total pension liability | 90.99% | 123.14% | 99.45% |

The total pension liability was determined by an actuarial valuation as of October 1, 2024, and measurement date of September 30, 2025, using the following actuarial assumptions to all measurement periods.

| | Police Plan | Fire Plan |
|---------------------------|-----------------------|-----------------------|
| Inflation | 2.50% | 2.50% |
| Salary increases | Service based | Service based |
| Investment rate of return | 7.00% | 7.00% |
| Mortality table | MP-2021, projected | MP-2021, projected |

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 expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long term expected rate of return by weighting the expected future real rates.

**CITY OF FLAGLER BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025**

(12) **Employee Retirement Systems and Pension Funds:** (Continued)

Best estimates of arithmetic real rates of return for each major class included in the pension plan's target asset allocation as of September 30, 2025, are summarized in the following table:

| Long Term Expected Real Rate of Return | | |
|---|--------------------|------------------|
| Asset Class | Police Plan | Fire Plan |
| Domestic equity | 7.5% | 7.5% |
| International equity | 8.5% | 8.5% |
| Broad Market Fixed Income | 2.5% | 2.5% |

Discount rate:

The discount rate used to measure the total pension liability for each pension plan varied as discussed on the following pages. The projection of cash flows used to determine the discount rate assumed the 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 pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in net pension liability (asset):

Changes in each plan's net pension liability (asset) were as follows:

| | Police Plan | | |
|--|--|--|--|
| | Total Pension Liability | Plan Fiduciary Net Position | Net Pension Liability (Asset) |
| | (a) | (b) | (a-b) |
| Beginning Balance | \$ 6,660,584 | \$ 5,412,501 | \$ 1,248,083 |
| Changes for year: | | | |
| Service cost | 293,803 | - | 293,803 |
| Interest | 478,357 | - | 478,357 |
| Share plan allocation | 12,134 | - | 12,134 |
| Differences between expected/actual experience | 799,649 | - | 799,649 |
| Changes in benefit terms | - | - | - |
| Changes of assumption | - | - | - |
| Contributions - employer | - | 465,292 | (465,292) |
| Contributions - employee | - | 129,256 | (129,256) |
| Contributions - state | - | 84,268 | (84,268) |
| Contributions - buy back | - | - | - |
| Net investment income | - | 1,476,020 | (1,476,020) |
| Benefit payments, including refunds | (241,438) | (241,438) | - |
| Administrative expenses | - | (43,984) | 43,984 |
| Net changes | 1,342,505 | 1,869,414 | (526,909) |
| Ending Balance | \$ 8,003,089 | \$ 7,281,915 | \$ 721,174 |

CITY OF FLAGLER BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

(12) **Employee Retirement Systems and Pension Funds:** (Continued)

| | Fire Plan | | |
|--|--------------------------------|---|--------------------------------------|
| | Total Pension Liability | Fire Plan Fiduciary Net Position | Net Pension Liability (Asset) |
| | (a) | (b) | (a-b) |
| Beginning Balance | \$ 2,384,821 | \$ 2,646,728 | \$ (261,907) |
| Changes for year: | | | |
| Service cost | 135,512 | - | 135,512 |
| Interest | 174,431 | - | 174,431 |
| Differences between expected/actual experience | 221,074 | - | 221,074 |
| Change in excess state money | - | - | - |
| Change in benefit terms | - | - | - |
| Change in assumptions | - | - | - |
| Contributions - employer | - | 119,352 | (119,352) |
| Contributions - Buy Back | - | - | - |
| Contributions - employee | - | 40,017 | (40,017) |
| Contributions - state | - | 101,505 | (101,505) |
| Net investment income | - | 712,802 | (712,802) |
| Benefit payments, including refunds | (56,919) | (56,919) | - |
| Administrative expenses | - | (43,015) | 43,015 |
| Net changes | <u>474,098</u> | <u>873,742</u> | <u>(399,644)</u> |
| Ending Balance | <u>\$ 2,858,919</u> | <u>\$ 3,520,470</u> | <u>\$ (661,551)</u> |

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

The following presents the net pension liability (asset) of the City calculated using the selected discount rates, as well as what the City's net pension liability (asset) (NPL(A)) would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate:

| Plan | Current Discount Rate | NPL(A) with 1% Decrease | NPL(A) at Current Discount Rate | NPL(A) with 1% Increase |
|-------------|------------------------------|--------------------------------|--|--------------------------------|
| Police | 7.00% | \$ 1,714,581 | \$ 721,174 | \$ (102,197) |
| Fire | 7.00% | (235,477) | (661,551) | (1,005,737) |
| Total | | <u>\$ 1,479,104</u> | <u>\$ 59,623</u> | <u>\$ (1,107,934)</u> |

For the year ended September 30, 2025, the annual-money weighted rate of return on each pension plan investments, net of pension plan investment expense was as follows:

| | Police Plan | Fire Plan |
|--------------------------------------|--------------------|------------------|
| Annual money-weighted rate of return | 13.06% | 13.02% |

The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

CITY OF FLAGLER BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

(12) **Employee Retirement Systems and Pension Funds:** (Continued)

Pension Expense and Deferred Outflows and Inflows of Resources Related to Pensions

For the year ended September 30, 2025, the City recognized pension expense (revenue) of \$428,261 and \$143,269 in the Police and Fire pension plans, respectively, for a total of \$571,530.

At September 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Police Plan | | Fire Plan | |
|---|---|--|---|--|
| | Deferred Outflows of Resources | Deferred Inflows of Resources | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Differences between expected and actual experience | \$ 568,247 | \$ (51,196) | \$ 233,820 | \$ (28,402) |
| Changes of assumptions | - | - | - | - |
| Net difference between projected and actual investment earnings | - | (633,316) | - | (298,322) |
| Employer and State contributions subsequent to the measurement date | 640,764 | - | 200,003 | - |
| | <u>\$ 1,209,011</u> | <u>\$ (684,512)</u> | <u>\$ 433,823</u> | <u>\$ (326,724)</u> |

The outcome of the deferred outflows of resources related to pensions resulting from employer and state contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2025. All other amounts reported as deferred outflows and deferred inflows of resources related to pensions being amortized for a period of greater than one year will be recognized in pension expense in succeeding years as follows:

| | Police Plan | Fire Plan |
|------------|--------------------|------------------|
| 2026 | \$ 120,672 | \$ 33,432 |
| 2027 | 263,285 | 59,255 |
| 2028 | (283,547) | (81,211) |
| 2029 | (216,675) | (104,380) |
| 2030 | - | - |
| Thereafter | - | - |

CITY OF FLAGLER BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

(12) **Employee Retirement Systems and Pension Funds:** (Continued)

C. Pension Fund Financial Statements

The City does not issue separate financial statements for the Police or Fire Plan. The basic financial statements of the City include a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position that presents a single column presented by fund type for all pension trust funds. Presented below are the financial statements for each pension trust fund as of and for the year ended September 30, 2025:

COMBINING SCHEDULE OF NET POSITION – FIDUCIARY FUNDS

| | Fire Plan | Police Plan | Total |
|--|----------------------|------------------------|----------------------|
| ASSETS | | | |
| Cash and cash equivalents with trustee | \$ 232,431 | \$ 710,353 | \$ 942,784 |
| Total cash and cash equivalents | <u>232,431</u> | <u>710,353</u> | <u>942,784</u> |
| Receivables | | | |
| Employee contributions receivable | 1,920 | 18,813 | 20,733 |
| State premium taxes | 34,841 | - | 34,841 |
| Total receivables | <u>36,761</u> | <u>18,813</u> | <u>55,574</u> |
| Investments, at fair value | | | |
| Mutual funds - equity | 2,953,249 | 6,112,527 | 9,065,776 |
| Mutual funds - fixed income | 893,407 | 1,856,169 | 2,749,576 |
| Total investments | <u>3,846,656</u> | <u>7,968,696</u> | <u>11,815,352</u> |
| Total assets | <u>4,115,848</u> | <u>8,697,862</u> | <u>12,813,710</u> |
| LIABILITIES | | | |
| Accounts payable | 26,585 | 23,845 | 50,430 |
| Total liabilities | <u>26,585</u> | <u>23,845</u> | <u>50,430</u> |
| NET POSITION | | | |
| Restricted for pensions | <u>\$ 4,089,263</u> | <u>\$ 8,674,017</u> | <u>\$ 12,763,280</u> |

CITY OF FLAGLER BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

(12) **Employee Retirement Systems and Pension Funds:** (Continued)

COMBINING SCHEDULE OF CHANGES IN NET POSITION – FIDUCIARY FUNDS

| | <u>Fire Plan</u> | <u>Police Plan</u> | <u>Total</u> |
|--|----------------------|------------------------|----------------------|
| Additions | | | |
| Contributions: | | | |
| Employer | \$ 90,720 | \$ 553,347 | \$ 644,067 |
| Plan members | 78,447 | 148,136 | 226,583 |
| State - insurance premium taxes | 109,283 | 87,417 | 196,700 |
| Total contributions | <u>278,450</u> | <u>788,900</u> | <u>1,067,350</u> |
| Investment earnings (loss): | | | |
| Net appreciation (depreciation) in fair value of investments | 396,796 | 820,093 | 1,216,889 |
| Interest and dividends | 81,335 | 171,988 | 253,323 |
| Total investment earnings | <u>478,131</u> | <u>992,081</u> | <u>1,470,212</u> |
| Less: investment expense | <u>(14,250)</u> | <u>(18,000)</u> | <u>(32,250)</u> |
| Net investment income (loss) | 463,881 | 974,081 | 1,437,962 |
| Total additions | <u>742,331</u> | <u>1,762,981</u> | <u>2,505,312</u> |
| Deductions | | | |
| Benefit payments and refunds | 135,021 | 306,890 | 441,911 |
| Administrative expenses | 38,517 | 63,989 | 102,506 |
| Total deductions | <u>173,538</u> | <u>370,879</u> | <u>544,417</u> |
| Change in net position | <u>568,793</u> | <u>1,392,102</u> | <u>1,960,895</u> |
| Net position restricted for pensions, beginning of year | 3,520,470 | 7,281,915 | 10,802,385 |
| Net position restricted for pensions, end of year | <u>\$ 4,089,263</u> | <u>\$ 8,674,017</u> | <u>\$ 12,763,280</u> |

CITY OF FLAGLER BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

(13) Recent Accounting Pronouncements:

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

- (a) GASB issued Statement No. 103, *Financial Reporting Model Improvements*, in April 2024. The objective of GASB Statement No. 103 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. The effective date for implementation is fiscal years beginning after June 15, 2025, and all reporting periods thereafter.
- (b) GASB issued Statement No. 104, *Disclosure of Certain Capital Assets*, in September 2024. GASB Statement No. 104 requires governments to disclose separate information about specific types of capital assets and establishes criteria for identifying and reporting capital assets held for sale. The objective of GASB 104 is to enhance transparency and improve the usefulness of financial statements for stakeholders by providing more detailed information on these assets. The provisions are effective for fiscal years beginning after June 15, 2025.
- (c) GASB issued Statement No. 105, *Subsequent Events*, in December 2025. GASB Statement No. 105 clarifies the subsequent events time frame and establishes accounting and disclosure requirements for recognized and nonrecognized subsequent events. The provisions of GASB Statement No. 105 are effective for fiscal years beginning after June 15, 2026.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF FLAGLER BEACH, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2025

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance with Final Budget</u> |
|--|-------------------------|---------------------|---------------------|---------------------------------------|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues | | | | |
| Taxes | \$ 7,513,943 | \$ 7,513,943 | \$ 8,005,892 | \$ 491,949 |
| Permits and fees | 1,279,350 | 1,279,350 | 1,308,128 | 28,778 |
| Intergovernmental | 544,486 | 554,486 | 606,756 | 52,270 |
| Charges for services | 25,100 | 25,100 | 30,914 | 5,814 |
| Fines and forfeitures | 87,000 | 87,000 | 105,366 | 18,366 |
| Investment income (loss) | 509,000 | 509,000 | 580,387 | 71,387 |
| Miscellaneous | 33,000 | 33,000 | 881,166 | 848,166 |
| Total revenues | <u>9,991,879</u> | <u>10,001,879</u> | <u>11,518,609</u> | <u>1,516,730</u> |
| Expenditures | | | | |
| Current: | | | | |
| General government | 2,956,481 | 3,006,354 | 2,821,708 | 184,646 |
| Public safety | 5,505,971 | 6,041,716 | 5,570,918 | 470,798 |
| Roads and streets | 501,234 | 573,949 | 333,920 | 240,029 |
| Transportation | 373,369 | 493,713 | - | 493,713 |
| Culture and recreation | 689,005 | 690,005 | 663,478 | 26,527 |
| Capital outlay | 222,540 | 246,080 | - | 246,080 |
| Total expenditures | <u>10,248,600</u> | <u>11,051,817</u> | <u>9,390,024</u> | <u>1,661,793</u> |
| Excess (deficiency) of revenues over expenditures | <u>(256,721)</u> | <u>(1,049,938)</u> | <u>2,128,585</u> | <u>3,178,523</u> |
| Other financing sources (uses) | | | | |
| Transfers out | (1,927,350) | (2,529,028) | (2,009,340) | 519,688 |
| Sale of capital assets | - | 13,736 | - | (13,736) |
| Total other financing sources (uses) | <u>(1,927,350)</u> | <u>(2,515,292)</u> | <u>(2,009,340)</u> | <u>505,952</u> |
| Net change in fund balances | <u>(2,184,071)</u> | <u>(3,565,230)</u> | <u>119,245</u> | <u>3,684,475</u> |
| Fund balances, beginning of year | 9,547,350 | 9,547,350 | 9,547,350 | - |
| Fund balances, end of year | <u>\$ 7,363,279</u> | <u>\$ 5,982,120</u> | <u>\$ 9,666,595</u> | <u>\$ 3,684,475</u> |

CITY OF FLAGLER BEACH, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - COMMUNITY REDEVELOPMENT AGENCY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2025

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance with Final Budget</u> |
|--|-------------------------|-------------------|-------------------|---------------------------------------|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues | | | | |
| Taxes | \$ 607,777 | \$ 607,777 | \$ 604,498 | \$ (3,279) |
| Charges for services | 1,000 | 1,000 | - | (1,000) |
| Investment income | - | - | 14,551 | 14,551 |
| Total revenues | <u>608,777</u> | <u>608,777</u> | <u>619,049</u> | <u>10,272</u> |
| Expenditures | | | | |
| Current: | | | | |
| Physical environment | 241,267 | 219,767 | 100,228 | 119,539 |
| Debt service: | | | | |
| Principal | 70,389 | 70,389 | 66,000 | 4,389 |
| Interest and fiscal charges | 4,390 | 4,390 | 8,779 | (4,389) |
| Total expenditures | <u>316,046</u> | <u>294,546</u> | <u>175,007</u> | <u>119,539</u> |
| Excess (deficiency) of revenues over expenditures | <u>292,731</u> | <u>314,231</u> | <u>444,042</u> | <u>129,811</u> |
| Other financing sources (uses) | | | | |
| Transfers out to primary government | (577,731) | (577,731) | (629,100) | (51,369) |
| Total other financing sources (uses) | <u>(577,731)</u> | <u>(577,731)</u> | <u>(629,100)</u> | <u>(51,369)</u> |
| Net change in fund balances | <u>(285,000)</u> | <u>(263,500)</u> | <u>(185,058)</u> | <u>78,442</u> |
| Fund balances, beginning of year | 629,567 | 629,567 | 629,567 | - |
| Fund balances, end of year | <u>\$ 344,567</u> | <u>\$ 366,067</u> | <u>\$ 444,509</u> | <u>\$ 78,442</u> |

**CITY OF FLAGLER BEACH, FLORIDA
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY
AND RELATED RATIOS
LAST 10 FISCAL YEARS
(UNAUDITED)**

| | 2025 | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Total OPEB Liability | | | | | | | | |
| Service cost | \$ 35,584 | \$ 36,358 | \$ 48,772 | \$ 63,360 | \$ 50,906 | \$ 36,092 | \$ 37,961 | \$ 40,191 |
| Interest | 19,204 | 21,370 | 13,131 | 13,443 | 16,863 | 16,701 | 14,031 | 11,433 |
| Difference between expected and actual experience | - | (25,684) | - | (8,750) | - | (35,198) | - | - |
| Changes of assumptions | 36,523 | (110,554) | (127,166) | (127,771) | 89,218 | 51,333 | (23,985) | (26,484) |
| Changes of benefit terms | - | 43,062 | - | - | - | - | - | - |
| Benefit payments - implicit rate subsidy | (19,710) | (15,271) | (14,206) | (12,767) | (11,876) | (12,556) | (11,546) | (10,617) |
| Other changes | - | - | - | - | - | - | - | - |
| Net change in total OPEB liability | 71,601 | (50,719) | (79,469) | (72,485) | 145,111 | 56,372 | 16,461 | 14,523 |
| Total OPEB liability - beginning of year | 368,476 | 419,195 | 498,664 | 571,149 | 426,038 | 369,666 | 353,205 | 338,682 |
| Total OPEB liability - end of year | \$ 440,077 | \$ 368,476 | \$ 419,195 | \$ 498,664 | \$ 571,149 | \$ 426,038 | \$ 369,666 | \$ 353,205 |
| Covered employee payroll | \$ 5,283,791 | \$ 5,154,918 | \$ 4,118,134 | \$ 4,017,692 | \$ 3,680,762 | \$ 3,590,988 | \$ 3,542,740 | \$ 3,456,332 |
| Total OPEB liability as a percentage of covered employee payroll | 8.33% | 7.15% | 10.18% | 12.41% | 15.52% | 11.86% | 10.43% | 10.22% |

Notes to Schedule:

| | | | | | | | | |
|-------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Valuation date: | 9/30/2023 | 9/30/2023 | 9/30/2021 | 9/30/2021 | 9/30/2019 | 9/30/2019 | 9/30/2018 | 9/30/2017 |
| Measurement date: | 9/30/2024 | 9/30/2023 | 9/30/2022 | 9/30/2021 | 9/30/2020 | 9/30/2019 | 9/30/2018 | 9/30/2017 |

Changes of assumptions. Changes of assumptions and other changes reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period:

| | | | | | | | |
|-------|-------|-------|-------|-------|-------|-------|-------|
| 4.06% | 4.87% | 4.77% | 2.43% | 2.14% | 3.58% | 4.18% | 3.64% |
|-------|-------|-------|-------|-------|-------|-------|-------|

Benefit Payments:

The plan sponsor did not provide actual net benefits paid by the Plan for the fiscal year ending on September 30, 2025. Expected net benefit payments produced by the valuation model for the same period are shown in the table above.

OPEB Trust:

For purposes of applying Paragraph 4 under Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, the Plan does not meet the requirements for an OPEB plan administered through a trust.

*10 years of data will be presented as it becomes available.

CITY OF FLAGLER BEACH, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
POLICE PLAN
SEPTEMBER 30, 2025
(UNAUDITED)

| Measurement Period - Fiscal Year Ending Reporting Period - Fiscal Year Ending | 9/30/24 9/30/25 | 9/30/23 9/30/24 | 9/30/22 9/30/23 | 9/30/21 9/30/22 | 9/30/20 9/30/21 | 9/30/19 9/30/20 | 9/30/18 9/30/19 | 9/30/17 9/30/18 | 9/30/16 9/30/17 | 9/30/15 9/30/16 |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Total Pension Liability | | | | | | | | | | |
| Service cost | \$ 293,803 | \$ 247,097 | \$ 258,908 | \$ 219,241 | \$ 183,067 | \$ 186,283 | \$ 181,472 | \$ 163,804 | \$ 140,418 | \$ 152,425 |
| Interest | 478,357 | 449,362 | 425,763 | 351,050 | 334,013 | 323,707 | 286,220 | 270,030 | 233,628 | 218,206 |
| Share plan allocation | 12,134 | 7,355 | 1,939 | 7,076 | 6,748 | 6,549 | 5,344 | 764 | - | - |
| Changes in benefit terms | - | - | 532,682 | - | - | - | - | - | - | - |
| Difference between actual and expected experience | 799,649 | (89,496) | (85,457) | 175,733 | 1,108 | (118,437) | 204,944 | (91,598) | 114,638 | (58,880) |
| Changes of assumptions | - | - | - | - | 155,389 | 72,739 | - | - | 87,160 | - |
| Contributions - Buy Back | - | - | - | - | - | 42,166 | - | - | - | - |
| Benefit payments including refunds of contributions | (241,438) | (252,185) | (252,256) | (263,967) | (227,816) | (221,582) | (157,515) | (137,764) | (102,745) | (90,905) |
| Net change in total pension liability | 1,342,505 | 362,133 | 881,579 | 489,133 | 452,509 | 291,425 | 520,465 | 205,236 | 473,099 | 220,846 |
| Total pension liability - beginning | 6,660,584 | 6,298,451 | 5,416,872 | 4,927,739 | 4,475,230 | 4,183,805 | 3,663,340 | 3,458,104 | 2,985,005 | 2,764,159 |
| Total pension liability - ending (a) | <u>\$ 8,003,089</u> | <u>\$ 6,660,584</u> | <u>\$ 6,298,451</u> | <u>\$ 5,416,872</u> | <u>\$ 4,927,739</u> | <u>\$ 4,475,230</u> | <u>\$ 4,183,805</u> | <u>\$ 3,663,340</u> | <u>\$ 3,458,104</u> | <u>\$ 2,985,005</u> |
| Total Fiduciary Net Position | | | | | | | | | | |
| Contributions - employer | \$ 465,292 | \$ 298,679 | \$ 182,136 | \$ 152,661 | \$ 145,938 | \$ 129,209 | \$ 136,466 | \$ 130,382 | \$ 62,751 | \$ 60,659 |
| Contributions - state | 84,268 | 74,711 | 63,877 | 57,106 | 56,449 | 56,051 | 53,639 | 44,481 | 42,952 | 38,667 |
| Contributions - employee | 129,256 | 115,356 | 91,518 | 88,757 | 89,695 | 77,838 | 83,550 | 81,895 | 72,128 | 71,655 |
| Contributions - Buy Back | - | - | - | - | - | 42,166 | - | - | - | - |
| Net investment income | 1,476,020 | 660,329 | (1,012,789) | 953,322 | 452,771 | 154,626 | 338,143 | 373,236 | 289,042 | (40,277) |
| Benefit payments, including refunds of contributions | (241,438) | (252,185) | (252,256) | (263,967) | (227,816) | (221,582) | (157,515) | (137,764) | (102,745) | (90,905) |
| Administrative expense | (43,984) | (45,603) | (40,684) | (39,602) | (34,307) | (47,021) | (35,835) | (42,148) | (39,294) | (51,933) |
| Net change in plan fiduciary net position | 1,869,414 | 851,287 | (968,198) | 948,277 | 482,730 | 191,287 | 418,448 | 450,082 | 324,834 | (12,134) |
| Plan fiduciary net position - beginning | 5,412,501 | 4,561,214 | 5,529,412 | 4,581,135 | 4,098,405 | 3,907,118 | 3,488,670 | 3,038,588 | 2,713,754 | 2,725,888 |
| Plan fiduciary net position - ending (b) | <u>\$ 7,281,915</u> | <u>\$ 5,412,501</u> | <u>\$ 4,561,214</u> | <u>\$ 5,529,412</u> | <u>\$ 4,581,135</u> | <u>\$ 4,098,405</u> | <u>\$ 3,907,118</u> | <u>\$ 3,488,670</u> | <u>\$ 3,038,588</u> | <u>\$ 2,713,754</u> |
| Net pension liability - ending (a) - (b) | <u>\$ 721,174</u> | <u>\$ 1,248,083</u> | <u>\$ 1,737,237</u> | <u>\$ (112,540)</u> | <u>\$ 346,604</u> | <u>\$ 376,825</u> | <u>\$ 276,687</u> | <u>\$ 174,670</u> | <u>\$ 419,516</u> | <u>\$ 271,251</u> |
| Plan fiduciary net position as a percentage of the total pension liability | 90.99% | 81.26% | 72.42% | 102.08% | 92.97% | 91.58% | 93.39% | 95.23% | 87.87% | 90.91% |
| Covered payroll | \$ 1,292,557 | \$ 1,153,564 | \$ 915,178 | \$ 887,565 | \$ 896,948 | \$ 778,377 | \$ 835,497 | \$ 818,946 | \$ 721,277 | \$ 716,550 |
| Net pension liability as a percentage of covered payroll | 55.79% | 108.19% | 189.83% | -12.68% | 38.64% | 48.41% | 33.12% | 21.33% | 58.16% | 37.86% |

Changes of assumptions:

For measurement date 09/30/2024, as mandated by Chapter 2015-157, Laws of Florida, the assumed rates of mortality were changed to the rates used in Milliman's July 1, 2021 FRS valuation report for special risk employees.

Investment rate return was 7.00%, net of investment related expenses.

CITY OF FLAGLER BEACH, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION ASSET AND RELATED RATIOS
FIRE PLAN
SEPTEMBER 30, 2025
(UNAUDITED)

| Measurement Period - Fiscal Year Ending Reporting Period - Fiscal Year Ending | 9/30/24 9/30/25 | 9/30/23 9/30/24 | 9/30/22 9/30/23 | 9/30/21 9/30/22 | 9/30/20 9/30/21 | 9/30/19 9/30/20 | 9/30/18 9/30/19 | 9/30/17 9/30/18 | 9/30/16 9/30/17 | 9/30/15 9/30/16 |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Total Pension Liability | | | | | | | | | | |
| Service cost | \$ 135,512 | \$ 115,680 | \$ 125,059 | \$ 103,175 | \$ 97,586 | \$ 129,855 | \$ 129,752 | \$ 82,884 | \$ 81,822 | \$ 74,954 |
| Interest | 174,431 | 159,387 | 143,892 | 109,271 | 103,952 | 117,847 | 94,641 | 90,640 | 77,035 | 69,702 |
| Changes in benefit terms | - | - | 156,031 | - | - | (322) | - | - | - | - |
| Difference between actual and expected experience | 221,074 | (9,526) | 8,871 | 159,876 | (53,411) | (216,635) | 146,201 | (118,194) | 16,460 | (1,875) |
| Changes of assumptions | - | - | - | - | 15,076 | (82,951) | - | - | 50,710 | - |
| Contributions - Buy Back | - | - | 30,649 | - | - | - | - | - | - | - |
| Benefit payments including refunds of contributions | (56,919) | (83,996) | (71,483) | (39,812) | (43,381) | (63,246) | (58,679) | (39,022) | (52,357) | (51,394) |
| Net change in total pension liability | 474,098 | 181,545 | 393,019 | 332,510 | 119,822 | (115,452) | 311,915 | 16,308 | 173,670 | 91,387 |
| Total pension liability - beginning | 2,384,821 | 2,203,276 | 1,810,257 | 1,477,747 | 1,357,925 | 1,473,377 | 1,161,462 | 1,145,154 | 971,484 | 880,097 |
| Total pension liability - ending (a) | <u>\$ 2,858,919</u> | <u>\$ 2,384,821</u> | <u>\$ 2,203,276</u> | <u>\$ 1,810,257</u> | <u>\$ 1,477,747</u> | <u>\$ 1,357,925</u> | <u>\$ 1,473,377</u> | <u>\$ 1,161,462</u> | <u>\$ 1,145,154</u> | <u>\$ 971,484</u> |
| Total Fiduciary Net Position | | | | | | | | | | |
| Contributions - employer | \$ 119,352 | \$ 74,575 | \$ 66,153 | \$ 70,095 | \$ 65,664 | \$ 70,900 | \$ 86,628 | \$ 83,554 | \$ 2,978 | \$ 12,764 |
| Contributions - state | 101,505 | 91,859 | 54,933 | 55,641 | 49,127 | 47,053 | 43,677 | 31,857 | 35,714 | 62,074 |
| Contributions - employee | 40,017 | 36,808 | 29,988 | 31,050 | 31,446 | 27,936 | 24,886 | 25,221 | 15,917 | 14,900 |
| Contributions - Buy Back | - | - | 30,649 | - | - | - | - | - | - | - |
| Net investment income | 712,802 | 320,680 | (493,497) | 442,673 | 198,459 | 68,923 | 143,679 | 158,378 | 124,245 | (19,545) |
| Benefit payments, including refunds of contributions | (56,919) | (83,996) | (71,483) | (39,812) | (43,381) | (63,246) | (58,679) | (39,022) | (52,357) | (51,394) |
| Administrative expense | (43,015) | (43,758) | (43,351) | (38,868) | (32,978) | (45,899) | (36,562) | (35,837) | (36,875) | (28,497) |
| Net change in plan fiduciary net position | 873,742 | 396,168 | (426,608) | 520,779 | 268,337 | 105,667 | 203,629 | 224,151 | 89,622 | (9,698) |
| Plan fiduciary net position - beginning | 2,646,728 | 2,250,560 | 2,677,168 | 2,156,389 | 1,888,052 | 1,782,385 | 1,578,756 | 1,354,605 | 1,264,983 | 1,274,681 |
| Plan fiduciary net position - ending (b) | <u>\$ 3,520,470</u> | <u>\$ 2,646,728</u> | <u>\$ 2,250,560</u> | <u>\$ 2,677,168</u> | <u>\$ 2,156,389</u> | <u>\$ 1,888,052</u> | <u>\$ 1,782,385</u> | <u>\$ 1,578,756</u> | <u>\$ 1,354,605</u> | <u>\$ 1,264,983</u> |
| Net pension liability (asset) - ending (a) - (b) | <u>\$ (661,551)</u> | <u>\$ (261,907)</u> | <u>\$ (47,284)</u> | <u>\$ (866,911)</u> | <u>\$ (678,642)</u> | <u>\$ (530,127)</u> | <u>\$ (309,008)</u> | <u>\$ (417,294)</u> | <u>\$ (209,451)</u> | <u>\$ (293,499)</u> |
| Plan fiduciary net position as a percentage of the total pension liability | 123.14% | 110.98% | 102.15% | 147.89% | 145.92% | 139.04% | 120.97% | 135.93% | 118.29% | 130.21% |
| Covered payroll | \$ 800,344 | \$ 736,164 | \$ 599,760 | \$ 620,994 | \$ 628,923 | \$ 558,717 | \$ 497,723 | \$ 504,418 | \$ 318,345 | \$ 297,990 |
| Net pension asset as a percentage of covered payroll | -82.66% | -35.58% | -7.88% | -139.60% | -107.91% | -94.88% | -62.08% | -82.73% | -65.79% | -98.49% |

Changes of assumptions

For measurement date 09/30/2024, as mandated by Chapter 2015-157, Laws of Florida, the assumed rates of mortality were changed to the rates used in Milliman's July 1, 2021 FRS valuation report for special risk employees.

The investment return assumption is 7.00%.

CITY OF FLAGLER BEACH, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS
POLICE PLAN
SEPTEMBER 30, 2025
(UNAUDITED)

| Fiscal Year | Actuarially Determined Contribution (ADC) | Contributions in Relation to ADC | Contribution Deficiency (Excess) | Covered Payroll | Contributions as Percentage of Employee Payroll |
|-------------|--|--|--|--------------------|--|
| 2025 | \$ 594,026 | \$ 627,055 | \$ (33,029) | \$ 1,481,361 | 42.33% |
| 2024 | 469,198 | 537,426 | (68,228) | 1,292,557 | 41.58% |
| 2023 | 384,137 | 366,035 | 18,102 | 1,153,564 | 31.73% |
| 2022 | 230,625 | 244,074 | (13,449) | 915,178 | 26.67% |
| 2021 | 205,028 | 202,691 | 2,337 | 887,565 | 22.84% |
| 2020 | 195,535 | 195,639 | (104) | 896,948 | 21.81% |
| 2019 | 184,475 | 178,711 | 5,764 | 778,377 | 22.96% |
| 2018 | 172,112 | 184,762 | (12,650) | 835,497 | 22.11% |
| 2017 | 180,987 | 174,099 | 6,888 | 818,946 | 21.26% |
| 2016 | 98,815 | 105,703 | (6,888) | 721,277 | 14.65% |

Notes to Schedule:

Valuation Date: 10/1/2023
Actuarially determined contribution rates are calculated as of October 1, two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method: Entry age normal cost
Amortization Method: Unfunded actuarial accrued liability amortized over 15 years.
Asset Valuation Method: The Actuarial Value of Assets is based on a four-year smoothing methodology. The annual difference between expected and actual investment earnings (Market Value, net of investment-related expenses), is phased in over a four-year period.

Inflation: 2.50%
Salary Increases: Service based
Investment Rate of Return: 7.0% per year compounded annually, net of investment related expenses.
Mortality: Healthy Active Lives:
Female: PubS.H-2010 for Employees, set forward one year.
Male: PubS.H-2010 (Below Median) for Employees, set forward one year.
Healthy Retiree Lives:
Female: PubS.H-2010 for Healthy Retirees, set forward one year.
Male: PubS.H-2010 (Below Median) for Healthy Retirees, set forward one year.
Beneficiary Lives:
Female: PubG.H-2010 for (Below Median) Healthy Retirees.
Male: PubG.H-2010 (Below Median) for Healthy Retirees, set back one year.
Disabled Lives:
80% PubG.H-2010 for Disabled Retirees/20% PubS.H-2010 for Disabled Retirees.
Retirement Age: Earlier of: 1) age 55 and 10 years of service, or 2) age 52 and 25 years of service.
Members satisfying the above eligibility requirements are assumed to retire immediately.

Disability Rate Table

| Age | % Becoming Disabled During the Year |
|-----|---|
| 20 | 0.15% |
| 25 | 0.15% |
| 30 | 0.20% |
| 35 | 0.25% |
| 40 | 0.35% |
| 45 | 0.50% |
| 50 | 0.90% |
| 55 | 1.80% |
| 60 | 4.50% |
| 65 | 0.00% |

**CITY OF FLAGLER BEACH, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS
FIRE PLAN
SEPTEMBER 30, 2025
(UNAUDITED)**

| Fiscal Year | Actuarially Determined Contribution (ADC) | Contributions in Relation to ADC | Contribution Deficiency (Excess) | Covered Payroll | Contributions as Percentage of Employee Payroll |
|-------------|--|--|--|--------------------|--|
| 2025 | \$ 118,145 | \$ 200,003 | \$ (81,858) | \$ 634,505 | 31.52% |
| 2024 | 162,870 | 220,857 | (57,987) | 800,344 | 27.60% |
| 2023 | 149,515 | 166,434 | (16,919) | 736,164 | 22.61% |
| 2022 | 112,455 | 121,086 | (8,631) | 599,760 | 20.19% |
| 2021 | 118,859 | 125,736 | (6,877) | 620,994 | 20.25% |
| 2020 | 119,496 | 114,791 | 4,705 | 628,923 | 18.25% |
| 2019 | 123,253 | 117,953 | 5,300 | 558,717 | 21.11% |
| 2018 | 120,300 | 130,305 | (10,005) | 497,723 | 26.18% |
| 2017 | 115,411 | 115,411 | - | 504,418 | 22.88% |
| 2016 | 45,588 | 38,692 | 6,896 | 318,345 | 12.15% |

Notes to Schedule:

Valuation Date: 10/1/2023
Actuarially determined contribution rates are calculated as of October 1, two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method: Entry age normal cost
Amortization Method: Unfunded actuarial accrued liability amortized over 15 years
Asset Valuation Method: All assets are valued at market value with an adjustment to uniformly spread actuarial investment gains and losses (as measured by actual market value investment return against expected market value investment return) over a five-year period. (Prior year Fair Market Value, net of investment-related expenses).

Inflation: 2.50%
Salary Increases: Service based
Investment Rate of Return: 7.0% per year compounded annually, net of investment related expenses.
Mortality: Healthy Active Lives:
Female: PubS.H-2010 for Employees, set forward one year.
Male: PubS.H-2010 (Below Median) for Employees, set forward one year.
Healthy Retiree Lives:
Female: PubS.H-2010 for Healthy Retirees, set forward one year.
Male: PubS.H-2010 (Below Median) for Healthy Retirees, set forward one year.
Beneficiary Lives:
Female: PubG.H-2010 for (Below Median) Healthy Retirees.
Male: PubG.H-2010 (Below Median) for Healthy Retirees, set back one year.
Disabled Lives:
80% PubG.H-2010 for Disabled Retirees/20% PubS.H-2010 for Disabled Retirees.

| Retirement Age: | Number of Years after First Eligibility for Normal Retirement | Probability of Retirement |
|-----------------|--|------------------------------|
| | 0 | 20% |
| | 1-4 | 5% |
| | 5 or more | 100% |

| Disability Rate Table: | Age | % Becoming Disabled During the Year |
|------------------------|-----|---|
| | 20 | 0.03% |
| | 30 | 0.04% |
| | 40 | 0.07% |
| | 50 | 0.18% |
| | 55 | 0.36% |
| | 60 | 0.90% |

**CITY OF FLAGLER BEACH, FLORIDA
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULES OF INVESTMENT RETURNS
 SEPTEMBER 30, 2025
 (UNAUDITED)**

| For the Year Ending September 30, | Police Plan | Fire Plan |
|--|--------------------|------------------|
| 2025 | 13.06% | 13.02% |
| 2024 | 26.63% | 26.71% |
| 2023 | 14.40% | 14.37% |
| 2022 | -18.33% | -18.41% |
| 2021 | 20.91% | 20.41% |
| 2020 | 11.08% | 10.43% |
| 2019 | 3.95% | 3.82% |
| 2018 | 9.76% | 9.27% |
| 2017 | 12.32% | 11.83% |
| 2016 | 10.62% | 10.10% |

SUPPLEMENTARY INFORMATION

CITY OF FLAGLER BEACH, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - CAPITAL PROJECTS FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2025

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance with Final Budget</u> |
|--|-------------------------|---------------------|--------------------|---------------------------------------|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues | | | | |
| Intergovernmental | \$ - | \$ 366,670 | \$ 88,793 | \$ (277,877) |
| Miscellaneous | - | 12,641 | 64,047 | 51,406 |
| Total revenues | <u>-</u> | <u>379,311</u> | <u>152,840</u> | <u>(226,471)</u> |
| Expenditures | | | | |
| Capital outlay | <u>1,072,731</u> | <u>2,221,228</u> | <u>1,822,576</u> | <u>398,652</u> |
| Total expenditures | <u>1,072,731</u> | <u>2,221,228</u> | <u>1,822,576</u> | <u>398,652</u> |
| Excess (deficiency) of revenues over expenditures | <u>(1,072,731)</u> | <u>(1,841,917)</u> | <u>(1,669,736)</u> | <u>172,181</u> |
| Other financing sources (uses) | | | | |
| Transfers in from primary government | 1,072,731 | 1,303,992 | 1,832,268 | 528,276 |
| Proceeds from sale of capital assets | - | - | 18,583 | 18,583 |
| Total other financing sources (uses) | <u>1,072,731</u> | <u>1,303,992</u> | <u>1,850,851</u> | <u>546,859</u> |
| Net change in fund balances | <u>-</u> | <u>(537,925)</u> | <u>181,115</u> | <u>719,040</u> |
| Fund balances, beginning of year | - | - | - | - |
| Fund balances, end of year | <u>\$ -</u> | <u>\$ (537,925)</u> | <u>\$ 181,115</u> | <u>\$ 719,040</u> |

SINGLE AUDIT

**CITY OF FLAGLER BEACH, FLORIDA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

| Federal Agency / Pass-Through Entity / Federal Program | AL Number | Contract / Grant Number | Expenditures |
|---|--------------|--------------------------------|----------------------------|
| FEDERAL AWARDS | | | |
| <u>U.S. Department of Treasury</u> | | | |
| Direct Programs: | | | |
| COVID-19 Coronavirus State and Local Fiscal Recovery Funds | 21.027 | Y5084 | \$ 789,487 |
| Total U.S. Department of Treasury | | | <u>789,487</u> |
| <u>U.S. Department of Justice</u> | | | |
| Direct Programs: | | | |
| Bulletproof Vest Partnership Program | 16.607 | N/A | 1,604 |
| Indirect Programs: | | | |
| Passed-Through State of Florida, Department of Legal Affairs - Office of the Attorney Division Victims of Crime Act | 16.575 | VOCA-2022-Flagler Beach Police | 89,841 |
| Total U.S. Department of Justice | | | <u>91,445</u> |
| <u>U.S. Department of Homeland Security</u> | | | |
| Indirect Programs: | | | |
| Passed through State of Florida, Division of Emergency Management: Disaster Grants-Public Assistance (Presidentially Declared Disasters) | 97.036 | DEM-17-PA-U5-04-28-01-094 | 2,551,029 |
| Passed through Florida Executive Office of the Governor Hazard Mitigation Grant | 97.039 | H0933 | 23,100 |
| Total U.S. Department of Homeland Security | | | <u>2,574,129</u> |
| Total Federal Awards | | | <u><u>\$ 3,455,061</u></u> |

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

CITY OF FLAGLER BEACH, FLORIDA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

(1) Basis of Presentation:

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

(2) Summary of Significant Accounting Policies:

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Pass-through entity identifying numbers are presented where available.

No amounts were passed through to subrecipients during the fiscal year ended September 30, 2025.

(3) De Minimis Indirect Cost Rate Election:

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

(4) Deferred FEMA Expenditures

During the fiscal years ended September 30, 2022, 2023 and 2024, the City incurred substantial costs related to Hurricanes Ian, Nicole, and Milton, respectively. Per the OMB Compliance Supplement, any reimbursements from the Federal Emergency Management Agency (FEMA) under ALN 97.036 are not to be recognized as expenditures for purposes of the Schedule of Expenditures of Federal Awards until the respective Project Worksheets (PW) have been approved. At September 30, 2025, only some of the City’s PWs from these storms had been approved by FEMA. As a result, there are \$48,785 of expenditures and related revenues which have been recorded for financial statement purposes and not on the Schedule of Expenditures of Federal Awards; these expenditures will be recognized on the Schedule of Expenditures of Federal Awards in future years once approved by FEMA.

(5) Contingency:

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

**CITY OF FLAGLER BEACH, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

A. Summary of Auditors' Results:

Financial Statements:

Type of audit report issued on the financial statements: *Unmodified*

Internal control over financial reporting:

Material weakness(es) identified? yes no

Significant deficiency(ies) identified? yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards:

Internal control over major Federal programs:

Material weakness(es) identified? yes no

Significant deficiency(ies) identified? yes none reported

Type of auditors' report issued on compliance for major Federal programs: *Unmodified*

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? yes none reported

Auditee qualified as a low-risk auditee? yes no

Dollar threshold used to distinguish between type A and type B programs: \$1,000,000

Identification of major Federal programs:

| AL Number | Program Name |
|-----------|---|
| 97.036 | Disaster Grants – Public Assistance (Presidentially Declared Disasters) |

B. Financial Statement Findings:

2025-001 Reconciliation of Account Balances

Criteria: Under Accurate and timely reconciliation of account balances is a key internal control to ensure the reliability of financial reporting. Account balances should be reviewed and reconciled periodically to supporting documentation to detect and correct errors in a timely manner.

Condition: During the audit, adjustments were required to properly state certain account balances. Specifically, adjustments were necessary to correct the balance of a line of credit within the proprietary funds and to reclassify impact fees that had been improperly recorded in a proprietary fund but should have been accounted for within governmental activities.

**CITY OF FLAGLER BEACH, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

Cause: The condition appears to be the result of inadequate reconciliation procedures and insufficient review of account classifications and balances.

Effect: Inaccurate account balances and misclassifications can lead to material misstatements in the financial statements and reduce the reliability of financial information used for decision-making.

Recommendation: The City should strengthen its reconciliation and review procedures to ensure all account balances are accurately recorded and properly classified. This includes performing regular reconciliations of key accounts, implementing supervisory review processes, and ensuring a clear understanding of proper fund classification requirements.

- C. **Federal Program Findings and Questioned Costs:** None.
- D. **Summary Schedule of Prior Audit Findings:** See schedule of prior audit findings on page 76.
- E. **Corrective Action Plan:** See Management's Response to Findings on page 80.

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

To the Honorable Mayor, City Commission, and City Manager,
City of Flagler Beach, Florida:

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Flagler Beach, Florida's (the City) compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget *Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended September 30, 2025. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2025.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditors' Responsibilities for the Audit of Compliance

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

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

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

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

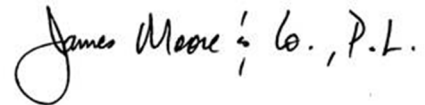
Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

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

A handwritten signature in black ink that reads "James Moore & Co., P.L." The signature is written in a cursive style with a large initial 'J'.

Daytona Beach, Florida
March 31, 2026

OTHER REPORTS

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

To the Honorable Mayor, City Commission, and City Manager,
City of Flagler Beach, Florida:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Flagler Beach, Florida (the City), as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 31, 2026.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a certain deficiency in internal control, as described in the accompanying schedule of findings and questioned costs as item 2025-001, that we consider to be significant deficiency.

Report on Compliance and Other Matters

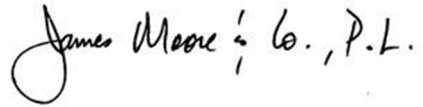
As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect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

Management's Response to Findings

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

Purpose of this Report

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

A handwritten signature in black ink that reads "James Moore & Co., P.L." The signature is written in a cursive style with a large initial 'J'.

Daytona Beach, Florida
March 31, 2026



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

To the Honorable Mayor, City Commission, and City Manager,
City of Flagler Beach, Florida:

Report on the Financial Statements

We have audited the basic financial statements of City of Flagler Beach, Florida (the City), as of and for the fiscal year ended September 30, 2025, and have issued our report thereon dated March 31, 2026.

Auditors' Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements of Federal Awards (Uniform Guidance), and Chapter 10.550, Rules of the State of Florida Office of the Auditor General.

Other Reporting Requirements

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*; Independent Auditors' Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance; Schedule of Findings and Questioned Costs; and Independent Accountants' Report on an examination conducted in accordance with AICPA Professional Standards, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports and schedule which are dated March 31, 2026, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Finding 2025-002 is repeated from the second preceding audit. The following is a summary of prior year findings and recommendations:

2024-001 Fund Balance and Net Position Opening Balances – Corrective action taken.

2024-002 Unexpended Fund Balance – Building Permits – Comment remains uncorrected from the preceding and second preceding audit; see repeat comment 2025-002.

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 City be disclosed in this management letter, unless disclosed in the notes to the financial statements. The legal authority for the primary government and component units of the reporting City is disclosed in Note 1 of the basic financial statements.

Financial Condition and Management

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

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

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

2025-002 Unexpended Fund Balance – Building Permits

Section 553.80(7)(a), Florida Statutes, limits the amount of unexpended building permit funds carried forward to future fiscal years to no more than the City's average operating budget for enforcing the Florida Building Code for the previous four fiscal years. A local government must use any funds in excess of this limitation to rebate or reduce fees. The City's unexpended building permit funds in the Building Department Fund at September 30, 2025, exceeded the City's average operating budget for enforcing the Florida Building Code for the previous four fiscal years by approximately \$560,000. We recommend the City identify how it intends to reduce the amount of unexpended building code balances in order to comply with Section 553.80(7)(a) of Florida Statutes.

Property Assessed Clean Energy (PACE) Programs

The following items have been provided to us to comply with state reporting requirements and have not been audited by us. We did not audit the following information within this section, nor were we required to perform any procedures to verify the accuracy or the completeness of the information provided by management. We do not express an opinion, a conclusion, nor provide any form of assurance on this data.

As required by Section 10.554(1)(i)6.a., Rules of the Auditor General, the City did have a property assessed clean energy (PACE) program that finances qualifying improvements authorized pursuant to Section 163.081 or Section 163.082, Florida Statutes, operated within the City's geographical boundaries during the fiscal year under audit.

As required by Section 10.554(1)(i)6.b. and Section 10.554(1)(i)6.c., Rules of the Auditor General, a full list of the full legal names and contact information of each program administrator and third-party administrator that administered the PACE program within the geographical area of the are as follows:

- a. Florida Resiliency and Energy District - rbartkus@fdcbonds.com

Special District Component Units

Section 10.554(1)(i)5.c., Rules of the Auditor General, requires, if appropriate, that we communicate the failure of a special district that is a component unit of a county, municipality, or special district, to provide the financial information necessary for proper reporting of the component unit within the audited financial statements of the county, municipality, or special district in accordance with Section 218.39(3)(b), Florida Statutes. In connection with our audit, we did not note any special district component units that failed to provide the necessary information for proper reporting in accordance with Section 218.39(3)(b), Florida Statutes.

Specific Special District Information – CRAs

The required reporting items in accordance with Section 218.39(3)(c), Florida Statutes for the Flagler Beach Community Redevelopment Agency have been reported in the separately-issued audited financial statements.

Additional Matters

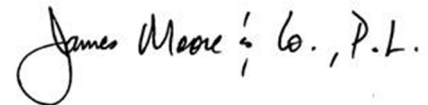
Section 10.554(1)(i)3., Rules of the Auditor General, requires us to communicate noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants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

Management’s Response to Findings

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

Purpose of this Letter

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



Daytona Beach, Florida
March 31, 2026



INDEPENDENT ACCOUNTANTS' EXAMINATION REPORT

To the Honorable Mayor, City Commission, and City Manager,
City of Flagler Beach, Florida:

We have examined the City of Flagler Beach, Florida's (the City) compliance with Section 218.415, Florida Statutes, *Local Government Investment Policies* (the "Statutes"), for the year ended September 30, 2025. Management is responsible for the City's compliance with the Statute. Our responsibility is to obtain reasonable assurance by evaluating the City's compliance with the Statute during the year ended September 30, 2025, and performing other procedures to obtain sufficient appropriate evidence to express an opinion that conveys the results of our evaluation based on our examination.

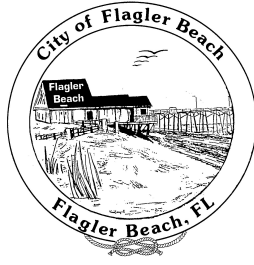
Our examination was conducted in accordance with the attestation standards for a direct examination engagement established by the AICPA. Those standards require that we obtain reasonable assurance by evaluating whether the City's compliance with Section 218.415, Florida Statutes, *Local Government Investment Policies*, for the year ended September 30, 2025, and performing other procedures to obtain sufficient appropriate evidence to express an opinion that conveys the results of evaluation of the City's compliance with Section 218.415, Florida Statutes, *Local Government Investment Policies*, for the year ended September 30, 2025. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks that the City was not in compliance with the Statute in all material respects, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

We are required to be independent 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 of Flagler Beach, Florida complied with the Statutes for the year ended September 30, 2025, in all material respects.

A handwritten signature in black ink that reads "James Moore & Co., P.L." The signature is written in a cursive, professional style.

Daytona Beach, Florida
March 31, 2026



Management's Responses to Findings

2025-001 Reconciliation of Account Balances

The City acknowledges the finding regarding the reconciliation of account balances and the need for improved review procedures to ensure accurate financial reporting. Management recognizes the importance of timely reconciliations and proper fund classification.

The misclassification of impact fees identified during the audit has already been corrected in FY26. In addition, the City is implementing enhanced reconciliation procedures for all key accounts, including proprietary and governmental funds. Supervisory review processes are being strengthened to ensure account balances are properly classified and supported by appropriate documentation. Staff training is being conducted to reinforce proper fund classification and accounting procedures. Management believes these actions will prevent future misstatements, improve the reliability of financial reporting, and ensure compliance with internal control standards.

2025-002 Unexpended Fund Balance - Building Permits

The City acknowledges the finding regarding the unexpended fund balance in the Building Department Fund exceeding the limits established in Section 553.80(7)(a), Florida Statutes. Management has taken steps to address this issue. The City Commission is scheduled to adopt a resolution in April 2026 amending the current resolution to reduce permit fees from 50% to 25% of the adopted fee schedule. Additionally, a new Building Official will be hired at the end of April 2026. Management anticipates that these actions will reduce the unexpended fund balance and bring the Building Department Fund into compliance with statutory requirements.