

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

CITY OF ATLANTIC BEACH, FLORIDA

SEPTEMBER 30, 2019

**CITY OF ATLANTIC BEACH, FLORIDA
 FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT
 SEPTEMBER 30, 2019**

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INDEPENDENT AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Atlantic Beach, Florida, (the City), as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

INDEPENDENT AUDITOR'S REPORT

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2019, 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.

Emphasis of Matter

COVID-19 Outbreak

We draw attention to Note 15 to the financial statements, which describes the uncertainty related to the COVID-19 pandemic and impact on the City.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, General Fund – Budgetary to Actual Schedule and notes to the schedule, and Required Pension and OPEB schedules on pages 4-11 and 60-70 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by GASB, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The supplementary information on pages 71-77 and the other statistical information section on page 78 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards on page 79 is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

INDEPENDENT AUDITOR'S REPORT

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

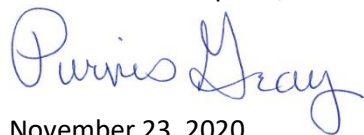
The other statistical information section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have issued our report dated November 23, 2020, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Report on Summarized Comparative Information

We have previously audited the City's 2018 financial statements, and our report dated December 6, 2019, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2018, is consistent, in all material respects, with the audited financial statements from which it was derived.



November 23, 2020
Gainesville, Florida

CITY OF ATLANTIC BEACH, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2019

As management of the City of Atlantic Beach, Florida (the City), we offer readers of our financial statements this narrative overview and analysis for the fiscal year ended September 30, 2019.

Overview of the Financial Statements

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

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private sector business. They include the Statement of Net Position and the Statement of Activities.

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

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues, referred to as "governmental activities," from other functions that are intended to recover all or a significant portion of their costs through user fees and charges, referred to as "business-type activities." The governmental activities of the City include public safety, road maintenance and construction, parks and recreation, conservation and resource management, and general government, which include administration and other support functions. The business-type activities of the City include the utility, comprised of the water and sewer systems, the stormwater system, the sanitation service and the building code enforcement enterprise fund. The government-wide financial statements can be found on pages 12-13 of this report.

Fund Financial Statements

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

■ **Governmental Funds**

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements.

CITY OF ATLANTIC BEACH, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2019
(Continued)

Fund Financial Statements (Concluded)

■ **Governmental Funds (Concluded)**

However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of available

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

The City maintains 12 individual governmental funds. Information is presented separately in the Governmental Funds Balance Sheet and in the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund, which is considered to be a major fund. Data from the other 11 governmental funds are combined into a single, aggregated presentation called Nonmajor Governmental Funds. Fund data for these nonmajor governmental funds is provided in the form of combining statements. These combining statements can be found on pages 53-54 of this report.

The City adopts an annual appropriated budget for all funds but is only required to present a budget comparison for its General Fund. The Schedule of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual - General Fund budgetary comparison schedule and notes on pages 60-61 of this report has been provided to demonstrate compliance with this budget.

■ **Proprietary Funds**

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

The proprietary fund financial statements provide the same type of information as the government-wide financial statements, only in more detail. Separate information of the utility, stormwater, sanitation and building code enforcement activities can be found in the basic proprietary fund financial statements on pages 18-23 of this report.

■ **Fiduciary Funds**

Fiduciary funds are used to account for resources held for the benefit of parties outside the City (i.e., pension beneficiaries). Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary fund financial statements can be found on pages 24-25 of this report.

Notes to Financial Statements

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

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits to its employees and a budgetary comparison schedule for the General Fund. Required supplementary information can be found beginning on page 60 of this report.

CITY OF ATLANTIC BEACH, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2019
(Continued)

Government-wide Financial Analysis

Net position may serve over time as a useful indicator of a City's financial position. As can be seen in the summarized table below, the City's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$82,392,995 at the close of the fiscal year ended September 30, 2019.

By far the largest portion of the City's net position, \$67,604,870 (82%), reflects its investment in capital assets (i.e., land, buildings, equipment, and infrastructure), less any related, outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

A portion of the City's net position, \$6,319,490 (8%), represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$8,468,635 (10%), is used to meet the government's ongoing obligations to citizens and creditors.

City of Atlantic Beach's Net Position
September 30, 2019 and 2018
(In Thousands)

	Governmental Activities		Business-type Activities		Totals	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$9,762	\$9,610	\$14,513	\$11,851	\$24,275	\$21,461
Capital assets	45,690	45,838	38,128	39,787	83,818	85,625
Total Assets	55,452	55,448	52,641	51,638	108,093	107,086
Deferred Outflow	2,300	2,336	1,526	1,547	3,826	3,883
Long-term liabilities outstanding	7,828	8,415	17,590	17,806	25,418	26,221
Other liabilities	1,010	816	1,740	3,355	2,750	4,196
Total Liabilities	8,838	9,276	19,330	21,141	28,168	30,417
Deferred Inflow	922	447	436	180	1,358	627
Net Position:						
Invested in capital assets, net of related debt	44,270	44,438	23,335	23,460	67,605	67,898
Restricted	2,184	2,005	4,135	3,010	6,319	5,015
Unrestricted	1,538	1,618	6,931	5,394	8,469	7,012
Total Net Position	\$47,992	\$48,061	\$34,401	\$31,864	\$82,393	\$79,925

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

CITY OF ATLANTIC BEACH, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2019
(Continued)

City of Atlantic Beach's Change in Net Position
For the Years Ended September 30, 2019 and 2018
(In Thousands)

	Governmental Activities		Business-type Activities		Totals	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program Revenues:						
Charges for Services	\$988	\$1,053	\$12,265	\$11,779	\$13,253	\$12,832
Operating Grants and Contributions	186	129	732	22	918	151
Capital Grants and Contributions	240	0	808	664	1,048	664
General Revenues:						
Property Taxes	5,519	5,063	0	0	5,519	5,063
Public Service Tax and Franchise Fees	1,819	1,834	0	0	1,819	1,834
Insurance Premium Tax	0	237	0	0	0	237
Fuel Taxes	607	723	0	0	607	723
State Shared Revenue	1,863	1,836	0	0	1,863	1,836
Discretionary Sale Surtax	924	901	0	0	924	901
Investment Earnings (Loss)	248	(19)	399	(20)	647	(39)
Miscellaneous	64	62	73	0	137	62
Gain (loss) on disposal of Capital Assets	0	0	0	0	0	0
Total Revenues	12,458	11,819	14,277	12,445	26,735	24,264
Expenses:						
General Government	2,805	2,819	0	0	2,805	2,819
Public Safety	6,302	6,098	0	0	6,302	6,098
Transportation	2,357	2,062	0	0	2,357	2,062
Parks and Recreation	1,652	1,488	0	0	1,652	1,488
Conservation and Resource Management	24	0	0	0	24	0
Interest/Fiscal Charges on Long-term Debt	45	0	0	0	45	0
Utility	0	0	7,213	7,322	7,213	7,322
Stormwater	0	0	1,609	1,335	1,609	1,335
Sanitation	0	0	1,710	2,152	1,710	2,152
Building Code Enforcement	0	0	550	520	550	520
Total Expenses	13,185	12,467	11,082	11,329	24,267	23,796
Transfers	658	618	(658)	(618)	0	0
Change in Net Position	(69)	(30)	2,537	498	2,468	468
Net Position-Beginning	48,061	48,091	31,864	31,366	79,925	79,457
Net Position-Ending	\$47,992	\$48,061	\$34,401	\$31,864	\$82,393	\$79,925

CITY OF ATLANTIC BEACH, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2019
(Continued)

Fund Financial Analysis

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

■ **Governmental Funds**

At the end of the current fiscal year, the City's governmental funds reported a combined ending fund balance of \$8,776,416, a decrease of \$392,044 in comparison with the prior year.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the unassigned fund balance was \$3,010,834, which equated to 24% of total General Fund expenditures without transfers. The net result of various revenue and expense items resulted in a decrease to the City's General Fund of \$542,759 or 8% during the current fiscal year. Property tax revenues increased by \$456,037 or 9% from the previous year. This was a result of an increase in the taxable values. General Fund transfers in decreased by \$45,597, and transfers out decreased by \$303,000. Overall, general fund expenditures decreased by \$1,809,556 or 13%. A large portion of this decrease was due to the \$1,400,000 purchase of land for the Selva Preserve in Fiscal Year 2018.

Nonmajor governmental funds consisting of special revenue funds, the debt service fund and the capital projects fund have a combined fund balance of \$2,241,354. The net increase in fund balance after transfers in nonmajor governmental funds was \$150,715. The increase in the fund balance of the nonmajor governmental funds was related to the decrease in Capital Outlay Expenditures and a decrease in transfers out.

■ **Proprietary Funds**

The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. During the fiscal year the proprietary funds recorded operating revenues of \$12,214,315, operating expenses of \$10,560,157, net non-operating revenue of \$731,854 and net capital contributions, grants and transfers of \$150,791. The net position in the proprietary funds increased \$2,644,113 as a result of the fiscal year's activities. The unrestricted net position of the enterprise funds amounted to \$6,930,815 at the end of fiscal year 2019.

Stormwater rates stayed constant in fiscal year 2019 as there were no rate changes. The \$8.39 per ERU is approximately 61%, compared to 69% for the prior year, of the total operating expenses of \$1,455,126 needed to fully fund the operation with charges for service.

During fiscal year 2019, the Sanitation Fund netted an increase in net position of \$995,685. This increase was due to an increase in grant revenues related to FEMA reimbursements.

General Fund Budgetary Highlights

Net Budget

The overall net difference from the final budgeted revenues and final budgeted expenses was a deficit of \$734,552. The actual decrease in fund balance was \$542,759. This resulted in an overall \$191,793 favorable budget to actual variance.

CITY OF ATLANTIC BEACH, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2019
(Continued)

Capital Assets and Debt Administration

Capital Assets—The City's investment in capital assets, net of related depreciation, for its governmental and business-type activities as of September 30, 2019, amounted to \$83,925,254. This investment in capital assets includes land, land improvements, land easements, buildings and infrastructure improvements, equipment, and construction in progress.

The total change in the City's capital assets, net of related depreciation, for the current fiscal year was a decrease of \$148,015 or less than 1% for governmental activities and a decrease of \$1,551,301 or 4% for business-type activities.

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

■ **Governmental Activities**

Buildings reflected a net decrease of \$71,581. This represents capital asset increase of \$97,360 offset by depreciation of \$168,941.

Intangible Assets reflected a net increase of \$3,828. This asset category includes land easements and computer software.

Improvements Other Than Buildings reflected a net decrease of \$261,211. This represents capital asset increase of \$404,887 offset by depreciation of \$666,098.

Equipment reflected a net increase of \$24,394. This represents capital asset increase of \$540,367, offset by depreciation of \$515,973.

Construction in progress increased by \$156,555.

■ **Business-type Activities**

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

Improvements Other Than Buildings reflected a net decrease of \$1,977,088. This represents capital asset increases of \$339,366, offset by depreciation of \$2,316,454.

Equipment reflected a net increase of \$123,104. This represents capital asset increase of \$375,435, offset by depreciation of \$252,331.

Construction in Progress had a net increase of \$204,005.

**CITY OF ATLANTIC BEACH, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2019
(Continued)**

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

	Governmental Activities		Business-type Activities		Totals	
	2019	2018	2019	2018	2019	2018
Land	\$11,914	\$11,914	\$1,656	\$1,656	\$13,570	\$13,570
Intangibles	52	48	214	214	266	262
Buildings	6,975	7,047	36	44	7,011	7,091
Improvements-Other	24,551	24,812	33,536	35,407	58,087	60,219
Equipment	1,299	1,275	1,103	980	2,402	2,255
Construction in Progress	898	741	1,690	1,486	2,588	2,227
Total	\$45,689	\$45,837	\$38,235	\$39,787	\$83,924	\$85,624

Additional information on the City's capital assets can be found in Note 5 on pages 39-40 of this report.

Long-term Debt

At the end of the 2019 fiscal year, the City had total long-term debt outstanding of \$16,834,543. The amount of \$15,434,543 represents the City's debt related to its business type activities. This amount was comprised of debt secured solely by specified revenue sources. A detailed listing of the City's debt can be found in the table below.

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

	2019	2018
Governmental Activities:		
Capital Improvement Revenue Bonds, Series 2018	\$1,400	\$1,400
Business-type Activities:		
Utilities System Revenue Bond, Series 2014	9,310	10,525
F.D.E.P. State Revolving Funds Loan, 2010 (DW160710)	490	526
F.D.E.P. State Revolving Funds Loan, 2009 (WW160700)	5,430	5,764
Capital Lease Payable - 2018	205	268
Total	\$16,835	\$18,483

Debt service coverage calculations can be found on page 76. Additional information on the City's long-term debt can be found in Note 6 on pages 41-44 of this report.

CITY OF ATLANTIC BEACH, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2019
(Concluded)

Revenue Highlights:

- Total General Fund Revenues for 2019 were \$594,563 higher than 2018 revenue (page 16). Increase in property tax revenue of \$456,037 is the largest contributor to this increase.
- The 2019 taxable property values were about 9.36% higher than the 2018 values. The City Commission voted to use the same millage rate of 3.2285 mills. The purpose for adopting the millage rate of 3.2285 was to maintain a level of ad valorem tax revenue sufficient to maintain adequate funding for the existing level of services at the estimated cost and to continue to maintain the city's infrastructure and adequate reserves. The final gross taxable property value was \$1,769,095,284. Ad valorem taxes of \$5,519,446 represent 51% of the General Fund revenues for 2019.
- The 2019 General Fund Intergovernmental revenues of \$2,224,731 make up 21% of total general fund revenues. This is an increase of \$153,557 over 2018.
- The City's investment portfolio is valued at approximately \$16,747,722 as of September 30, 2019. The investments showed a gain of \$509,892 for the year.

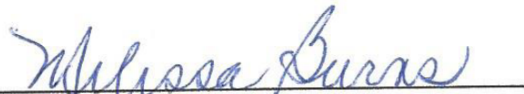
Expenditure Highlights:

- Total expenditures of the Governmental Funds decreased in current year by \$1,798,980 when compared to prior year which was mainly due to a change in classification to report the inter-fund charges that are used to allocate costs to the enterprise fund as a reduction in governmental fund expenditures rather than as revenue as previously reported. This change was necessitated by generally accepted accounting principles. The total inter-fund charges shown as revenue in 2018 was \$1,581,091 and the inter-fund charges shows as a reduction in expenditures in 2019 totaled \$1,608,052.

Capital expenditures decreased from \$2,375,785 in 2018 to \$1,206,655 in 2019. This decrease was a result the purchase of land in 2018

Requests for Information

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



Melissa Burns
Director of Finance

BASIC FINANCIAL STATEMENTS

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

CITY OF ATLANTIC BEACH, FLORIDA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2019
WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2018

	Primary Government			2018 Totals
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Equity in pooled cash and investments	\$ 6,274,716	\$ 8,345,121	\$ 14,619,837	\$ 14,710,343
Cash with fiscal agent	94,850	1,348,462	1,443,312	1,337,616
Receivables, current:				
Customer accounts, net	116,007	803,858	919,865	669,264
Intergovernmental and other	914,965	131,817	1,046,782	1,269,094
Notes receivable, net	760	15,759	16,519	16,519
Inventory	42,142	60,763	102,905	94,625
Prepaid expenses	4,852	-	4,852	4,956
Restricted assets:				
Equity in pooled cash and investments	2,312,277	3,687,769	6,000,046	3,236,620
Capital assets:				
Non-depreciable	12,811,523	3,346,431	16,157,954	15,797,394
Depreciable, net	32,878,448	34,781,542	67,659,990	69,827,176
Notes receivable, noncurrent	1,520	119,766	121,286	122,543
TOTAL ASSETS	55,452,060	52,641,288	108,093,348	107,086,150
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to pensions	2,285,131	872,002	3,157,133	3,103,506
Deferred outflows - loss on refunding	-	647,660	647,660	755,602
Deferred outflows related to OPEB	15,310	6,075	21,385	23,456
TOTAL DEFERRED OUTFLOWS OF RESOURCES	2,300,441	1,525,737	3,826,178	3,882,564
LIABILITIES				
Accounts payable and accrued expenses	790,606	608,275	1,398,881	780,862
Construction costs payable	19,936	6,255	26,191	21,129
Due to other governments	-	41,063	41,063	25,973
Unearned revenue	165,588	181,993	347,581	267,085
Accrued interest payable	24,850	176,827	201,677	195,826
Customer deposits	9,543	725,363	734,906	698,345
Long-term obligations:				
Due within one year	241,064	1,730,735	1,971,799	2,206,852
Due in more than one year	7,586,549	15,859,536	23,446,085	26,220,723
TOTAL LIABILITIES	8,838,136	19,330,047	28,168,183	30,416,795
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pensions	899,182	427,263	1,326,445	608,819
Deferred inflows related to OPEB	22,839	9,064	31,903	18,602
Total deferred inflows of resources	922,021	436,327	1,358,348	627,421
NET POSITION				
Net investment in capital assets	44,270,035	23,334,835	67,604,870	67,898,073
Restricted for:				
General government facilities	257,689	-	257,689	443,666
Public safety	299,845	-	299,845	141,524
Road maintenance and construction	1,318,572	-	1,318,572	1,162,321
Other purposes	308,383	-	308,383	257,310
Debt service	-	280,916	280,916	394,939
Renewal and replacement	-	250,000	250,000	250,000
Utility rate stabilization	-	400,000	400,000	-
Utility system improvements	-	2,756,853	2,756,853	1,900,438
Building code enforcement	-	447,232	447,232	464,680
Unrestricted	1,537,820	6,930,815	8,468,635	7,011,547
TOTAL NET POSITION	\$ 47,992,344	\$ 34,400,651	\$ 82,392,995	\$ 79,924,498

See accompanying notes.

CITY OF ATLANTIC BEACH, FLORIDA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2019
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2018

FUNCTIONS/PROGRAMS	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			2018 Totals
		Charges for Services	Operating Grant and Contributions	Capital Grant and Contributions	Governmental Activities	Business-Type Activities	Total	
PRIMARY GOVERNMENT:								
Governmental activities:								
General government	\$ 2,805,211	\$ 182,016	\$ 40,813	\$ 195,760	\$ (2,386,622)	\$ -	\$ (2,386,622)	\$ (1,945,756)
Public safety	6,303,138	660,112	18,656	14,427	(5,609,943)	-	(5,609,943)	(5,028,710)
Transportation	2,357,000	68,534	112,079	-	(2,176,387)	-	(2,176,387)	(1,362,304)
Parks and recreation	1,652,337	77,640	-	30,000	(1,544,697)	-	(1,544,697)	(1,282,076)
Conservation and resource management	23,519	-	14,821	-	(8,698)	-	(8,698)	27,906
Interest on long-term debt	44,700	-	-	-	(44,700)	-	(44,700)	-
Total governmental activities	13,185,905	988,302	186,369	240,187	(11,771,047)	-	(11,771,047)	(9,590,940)
Business-type activities								
Utility	7,213,069	8,905,992	-	808,439	-	2,501,362	2,501,362	1,706,007
Stormwater	1,609,949	894,373	-	-	-	(715,576)	(715,576)	(448,238)
Sanitation	1,709,616	1,948,256	731,746	-	-	970,386	970,386	(209,719)
Building code enforcement	550,492	516,385	-	-	-	(34,107)	(34,107)	89,030
Total business-type activities	11,083,126	12,265,006	731,746	808,439	-	2,722,065	2,722,065	1,137,080
TOTAL PRIMARY GOVERNMENT	\$ 24,269,031	\$ 13,253,308	\$ 918,115	\$ 1,048,626	\$ (11,771,047)	\$ 2,722,065	\$ (9,048,982)	\$ (8,453,860)
GENERAL REVENUES								
Taxes:								
Property taxes, levied for general purposes					5,519,446	-	5,519,446	5,063,409
Public service taxes and franchise fees					1,819,333	-	1,819,333	1,100,538
Fuel taxes levied for transportation purposes					607,300	-	607,300	613,294
Discretionary Sales Surtax					924,384	-	924,384	901,165
State shared revenue					1,862,114	-	1,862,114	1,200,683
Investment earnings (loss)					247,852	399,295	647,147	(38,997)
Miscellaneous					64,041	73,091	137,132	83,346
Gain (loss) on disposal of capital assets					623	-	623	-
TRANSFERS					657,648	(657,648)	-	-
Total general revenues and transfers					11,702,741	(185,262)	11,517,479	8,923,438
CHANGE IN NET POSITION					(68,306)	2,536,803	2,468,497	469,578
NET POSITION, beginning of year					48,060,650	31,863,848	79,924,498	79,454,920
NET POSITION, end of year					\$ 47,992,344	\$ 34,400,651	\$ 82,392,995	\$ 79,924,498

See accompanying notes.

CITY OF ATLANTIC BEACH, FLORIDA
BALANCE SHEET – GOVERNMENTAL FUNDS
AS OF SEPTEMBER 30, 2019
WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2018

	2019			2018 Totals
	General Fund	Non-Major Governmental Funds	Total	
ASSETS				
Equity in pooled cash and investments	\$ 6,274,716	\$ 2,312,277	\$ 8,586,993	\$ 8,086,548
Cash with fiscal agent	-	94,850	94,850	-
Receivables, net				
Customer accounts, net	495	115,512	116,007	350
Intergovernmental and other	675,637	239,328	914,965	1,114,979
Notes receivable, current	760	-	760	760
Inventory	42,142	-	42,142	33,862
Prepaid expenditures	4,852	-	4,852	4,956
Due from other funds	283,396	-	283,396	567,826
Notes receivable, non-current	1,520	-	1,520	1,520
TOTAL ASSETS	<u>\$ 7,283,518</u>	<u>\$ 2,761,967</u>	<u>\$ 10,045,485</u>	<u>\$ 9,810,801</u>
LIABILITIES				
Accounts payable and accrued liabilities	572,821	217,785	790,606	328,224
Construction costs payable	3,270	16,666	19,936	21,129
Due to other funds	-	283,396	283,396	200,795
Deposits	6,777	2,766	9,543	7,101
Unearned revenue	165,588	-	165,588	85,092
TOTAL LIABILITIES	<u>748,456</u>	<u>520,613</u>	<u>1,269,069</u>	<u>642,341</u>
FUND BALANCE				
Nonspendable:				
Inventory	42,142	-	42,142	33,862
Prepays	4,852	-	4,852	4,956
Restricted for:				
Public safety	-	299,845	299,845	141,524
Road maintenance and construction	-	1,318,572	1,318,572	1,162,321
Other capital projects	-	257,689	257,689	443,666
Other purposes	-	308,383	308,383	257,310
Committed to:				
Conservation and resource management	-	77,940	77,940	86,638
Assigned to:				
Community redevelopment	50,000	-	50,000	50,000
Operating reserves	3,427,234	-	3,427,234	3,313,444
Unassigned	3,010,834	(21,075)	2,989,759	3,674,739
TOTAL FUND BALANCES	<u>6,535,062</u>	<u>2,241,354</u>	<u>8,776,416</u>	<u>9,168,460</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 7,283,518</u>	<u>\$ 2,761,967</u>	<u>\$ 10,045,485</u>	<u>\$ 9,810,801</u>

See accompanying notes.

CITY OF ATLANTIC BEACH, FLORIDA
RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2019
WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2018

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

	<u>2019</u>	<u>2018</u>
FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ 8,776,416	\$ 9,168,460
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	45,689,971	45,837,986
Deferred outflows of resources represent an consumption of net position or fund balance that applies to a future period(s) and, therefore, are not reported in the governmental funds.	2,300,441	2,335,545
Deferred inflows of resources represent an increase in net position or fund balance that applies to a future period(s) and, therefore, are not reported in the governmental funds.	(922,021)	(447,044)
Interest payable on long-term debt does not require current financial resources and therefore, is not reported as a liability in governmental funds.	(24,850)	-
Long-term liabilities (including bonds and notes payable, compensated absences liability, OPEB obligation, and net pension liabilities) are not due and payable in the current period and, therefore, are not reported in the governmental funds. This is the amount of the long-term obligations	(7,827,613)	(8,834,297)
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 47,992,344</u>	<u>\$ 48,060,650</u>

See accompanying notes.

CITY OF ATLANTIC BEACH, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2018

	2019			2018 Totals
	General Fund	Non-major Governmental Funds	Total	
REVENUES:				
Property taxes	\$ 5,519,446	\$ -	\$ 5,519,446	\$ 5,063,409
Non-property taxes	1,182,199	1,531,684	2,713,883	2,851,769
Licenses and permits	795,447	-	795,447	868,477
Intergovernmental revenue	2,224,731	-	2,224,731	2,113,174
Charges for services	785,278	-	785,278	793,482
Fines and forfeitures	41,115	22,252	63,367	124,366
Investment earnings (loss)	191,557	56,294	247,851	(19,396)
Miscellaneous revenues	65,126	14,821	79,947	56,974
Interfund charges	-	-	-	1,581,091
Total revenues	<u>10,804,899</u>	<u>1,625,051</u>	<u>12,429,950</u>	<u>13,433,346</u>
EXPENDITURES:				
General government	2,796,571	23,519	2,820,090	3,737,331
Public safety	6,330,636	26,478	6,357,114	6,129,773
Physical environment	-	-	-	151
Transportation	1,436,383	270,834	1,707,217	1,873,723
Culture/recreation	1,368,348	368	1,368,716	1,161,859
Capital outlay	508,368	698,287	1,206,655	2,375,785
Debt service	-	19,850	19,850	-
Total expenditures	<u>12,440,306</u>	<u>1,039,336</u>	<u>13,479,642</u>	<u>15,278,622</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	<u>(1,635,407)</u>	<u>585,715</u>	<u>(1,049,692)</u>	<u>(1,845,276)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	1,092,648	-	1,092,648	1,438,245
Transfers (out)	-	(435,000)	(435,000)	(820,300)
Loan proceeds	-	-	-	1,400,000
Debt issuance costs	-	-	-	(50,000)
Sale of general capital assets	-	-	-	32,192
TOTAL OTHER FINANCING SOURCES (USES)	<u>1,092,648</u>	<u>(435,000)</u>	<u>657,648</u>	<u>2,000,137</u>
NET CHANGE IN FUND BALANCE	<u>(542,759)</u>	<u>150,715</u>	<u>(392,044)</u>	<u>154,861</u>
FUND BALANCE, beginning of year	<u>7,077,821</u>	<u>2,090,639</u>	<u>9,168,460</u>	<u>9,013,599</u>
FUND BALANCE, end of year	<u>\$ 6,535,062</u>	<u>\$ 2,241,354</u>	<u>\$ 8,776,416</u>	<u>\$ 9,168,460</u>

See accompanying notes.

CITY OF ATLANTIC BEACH, FLORIDA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2019
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2018

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

	<u>2019</u>	<u>2018</u>
NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ (392,044)	\$ 154,861
Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense.		
This is the amount of capital assets recorded in the current period.	1,219,139	2,375,785
This is the amount of depreciation recorded in the current period.	(1,367,154)	(1,334,374)
Revenue not received within the "availability" period are not reported as revenues at the fund level and are recognized as revenue in the statement of activities.		
This represents the change caused by the "availability" criterion	-	(64,939)
Long-term obligations including bonds and notes payable, compensated absences and other post-employment benefit obligations are reported as liabilities in the government-wide statement of net position but are not reported as liabilities in the governmental funds because they do not require the use of current financial resources:		
This is the current year proceeds from borrowings	-	(1,400,000)
This is the change in accrued interest payable on long-term obligations.	(24,850)	-
This is the change in accrued compensated absences during the year.	(19,568)	(57,325)
Other postemployment benefit (OPEB) expense is reported in the statement of activities which differs from OPEB expenditures as report in the governmental funds:		
This amount represents the change in deferred inflows related to OPEB.	(10,015)	-
This amount represents the change in deferred outflows related to OPEB.	(859)	-
This amount represents the change in the total OPEB liability.	(22,547)	(5,081)
Pension expense is reported in the statement of activities which differs from pension expenditures as reported in the governmental finds:		
This amount represents the change in deferred inflows related to pensions.	(464,962)	(245,365)
This amount represents the change in deferred outflows related to pensions.	(34,244)	(334,326)
This amount represents the change in the net pension liability.	1,048,798	880,807
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ (68,306)</u>	<u>\$ (29,957)</u>

See accompanying notes.

CITY OF ATLANTIC BEACH, FLORIDA
STATEMENT OF NET POSITION – PROPRIETARY FUNDS
SEPTEMBER 30, 2019
WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2018

	2019					2018 Totals
	Business Type Activities - Enterprise Funds					
	Utility	Stormwater	Sanitation	Building Code Enforcement	Totals	
ASSETS						
Current assets:						
Equity in pooled cash and investments	\$ 5,529,981	\$ 1,483,581	\$ 652,228	\$ 679,331	\$ 8,345,121	\$ 6,623,795
Cash with fiscal agent	1,173,162	175,300	-	-	1,348,462	1,337,616
Accounts receivables, net	661,117	53,332	89,409	-	803,858	668,914
Due from other governments	35,244	-	96,573	-	131,817	154,115
Notes receivable - current	15,759	-	-	-	15,759	15,759
Inventory	60,763	-	-	-	60,763	-
Prepaid expenses	-	-	-	-	-	60,763
Total current assets	7,476,026	1,712,213	838,210	679,331	10,705,780	8,860,962
Noncurrent assets:						
Restricted assets:						
Equity in pooled cash and investments	3,687,769	-	-	-	3,687,769	3,236,620
Notes receivable - noncurrent	119,766	-	-	-	119,766	121,023
Capital assets:						
Non-depreciable	1,934,145	1,412,286	-	-	3,346,431	3,142,426
Depreciable, net	26,120,175	8,628,200	3,246	29,921	34,781,542	36,644,158
Total noncurrent assets	31,861,855	10,040,486	3,246	29,921	41,935,508	43,144,227
Total assets	39,337,881	11,752,699	841,456	709,252	52,641,288	52,005,189
DEFERRED OUTFLOWS OF RESOURCES						
Deferred outflows related to pensions	679,914	73,270	54,748	64,070	872,002	784,131
Deferred outflows - refunding loss	563,464	84,196	-	-	647,660	755,602
Deferred outflows related to OPEB	3,849	723	-	1,503	6,075	7,286
Total deferred outflows of resources	1,247,227	158,189	54,748	65,573	1,525,737	1,547,019

Continued...

See accompanying notes.

CITY OF ATLANTIC BEACH, FLORIDA
STATEMENT OF NET POSITION – PROPRIETARY FUNDS
SEPTEMBER 30, 2019
WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2018

	2019					2018 Totals
	Business Type Activities - Enterprise Funds					
	Utility	Stormwater	Sanitation	Building Code Enforcement	Totals	
LIABILITIES						
Current liabilities:						
Accounts payable and accrued liabilities	\$ 261,539	\$ 192,431	\$ 125,811	\$ 28,494	\$ 608,275	\$ 452,638
Construction costs payable	6,255	-	-	-	6,255	-
Due to other governments	-	-	-	41,063	41,063	25,973
Due to other funds	-	-	-	-	-	367,030
Unearned revenue	90,605	29,898	61,490	-	181,993	181,993
Compensated absences	32,343	2,772	-	9,105	44,220	139,588
Bonds and notes payable, current	1,492,547	193,968	-	-	1,686,515	1,647,504
Total current liabilities	1,883,289	419,069	187,301	78,662	2,568,321	2,814,726
Noncurrent liabilities:						
Liabilities payable from restricted assets:						
Customer deposits	725,363	-	-	-	725,363	691,244
Interest payable	162,727	14,100	-	-	176,827	195,826
Compensated absences	172,666	10,992	-	22,125	205,783	95,386
Other postemployment obligation payable	84,598	15,879	-	33,037	133,514	141,445
Net pension liability	1,381,822	148,911	111,266	130,212	1,772,211	2,134,761
Bonds and notes payable, noncurrent portion	12,629,428	1,118,600	-	-	13,748,028	15,434,595
Total noncurrent liabilities	15,156,604	1,308,482	111,266	185,374	16,761,726	18,693,257
Total liabilities	17,039,893	1,727,551	298,567	264,036	19,330,047	21,507,983
DEFERRED INFLOWS OF RESOURCES						
Deferred inflows related to pensions	333,144	35,901	26,825	31,393	427,263	174,599
Deferred inflows related to OPEB	5,743	1,078	-	2,243	9,064	5,778
Total deferred inflows of resources	338,887	36,979	26,825	33,636	436,327	180,377
NET POSITION						
Net investment in capital assets	14,489,554	8,812,114	3,246	29,921	23,334,835	23,460,087
Restricted for:						
Debt retirement	280,916	-	-	-	280,916	394,939
Renewal and replacement	250,000	-	-	-	250,000	250,000
Utility rate stabilization	400,000	-	-	-	400,000	-
Utility system improvements (expendable)	2,756,853	-	-	-	2,756,853	1,900,438
Building code enforcement	-	-	-	447,232	447,232	464,680
Unrestricted	5,029,005	1,334,244	567,566	-	6,930,815	5,393,704
Total net position	\$ 23,206,328	\$ 10,146,358	\$ 570,812	\$ 477,153	\$ 34,400,651	\$ 31,863,848

See accompanying notes.

CITY OF ATLANTIC BEACH, FLORIDA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION – PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2018

	2019					2018 Total
	Business Type Activities - Enterprise Funds					
	Utility	Stormwater	Sanitation	Building Code Enforcement	Totals	
OPERATING REVENUES:						
Charges for services						
Customer charges	\$ 8,861,974	\$ 894,373	\$ 1,860,792	\$ 516,385	\$ 12,133,524	\$ 11,581,596
Franchise permits	-	-	13,500	-	13,500	9,500
Miscellaneous revenues	67,291	-	-	-	67,291	64,563
Total operating income	<u>8,929,265</u>	<u>894,373</u>	<u>1,874,292</u>	<u>516,385</u>	<u>12,214,315</u>	<u>11,655,659</u>
OPERATING EXPENSES:						
Personnel services	1,794,213	349,178	72,032	410,445	2,625,868	2,759,858
Contractual services	643,360	207,304	1,476,130	37,229	2,364,023	2,702,658
Supplies	474,547	53,949	-	6,407	534,903	447,191
Repairs and maintenance	188,756	7	5,696	29,878	224,337	202,597
Utilities	352,529	-	-	-	352,529	348,357
Depreciation	1,916,264	651,585	1,092	8,476	2,577,417	2,625,880
Intergovernmental charges	1,133,451	162,745	152,276	46,238	1,494,710	1,494,710
Other expenses	234,493	137,668	2,390	11,819	386,370	208,165
Total operating expenses	<u>6,737,613</u>	<u>1,562,436</u>	<u>1,709,616</u>	<u>550,492</u>	<u>10,560,157</u>	<u>10,789,416</u>
OPERATING INCOME (LOSS)	<u>2,191,652</u>	<u>(668,063)</u>	<u>164,676</u>	<u>(34,107)</u>	<u>1,654,158</u>	<u>866,243</u>
NONOPERATING REVENUE (EXPENSE)						
Connection charges	44,018	-	-	-	44,018	61,460
Intergovernmental	-	-	731,746	-	731,746	22,297
Franchise fees	-	-	73,964	-	73,964	62,066
Investment earnings (loss)	328,612	29,066	25,299	16,318	399,295	(19,600)
Interest expense	(475,456)	(47,513)	-	-	(522,969)	(545,711)
Gain (loss) on disposal of capital assets	-	-	-	-	-	6,820
Other, net	5,800	-	-	-	5,800	-
Total nonoperating revenues (expense)	<u>(97,026)</u>	<u>(18,447)</u>	<u>831,009</u>	<u>16,318</u>	<u>731,854</u>	<u>(412,668)</u>

Continued...

See accompanying notes.

CITY OF ATLANTIC BEACH, FLORIDA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION – PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2018

	2019					2018 Total
	Business Type Activities - Enterprise Funds					
	Utility	Stormwater	Sanitation	Building Code Enforcement	Totals	
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	\$ 2,094,626	\$ (686,510)	\$ 995,685	\$ (17,789)	\$ 2,386,012	\$ 453,575
CAPITAL CONTRIBUTIONS						
System development charges	808,439	-	-	-	808,439	663,905
Capital grants and contributions	-	-	-	-	-	-
Total capital contributions	808,439	-	-	-	808,439	663,905
TRANSFERS						
Transfers in	-	200,000	-	-	200,000	285,000
Transfers out	(857,648)	-	-	-	(857,648)	(902,945)
Total transfers	(857,648)	200,000	-	-	(657,648)	(617,945)
CHANGE IN NET POSITION	2,045,417	(486,510)	995,685	(17,789)	2,536,803	499,535
NET POSITION, beginning of year	21,160,911	10,632,868	(424,873)	494,942	31,863,848	31,364,313
NET POSITION, end of year	\$ 23,206,328	\$ 10,146,358	\$ 570,812	\$ 477,153	\$ 34,400,651	\$ 31,863,848

See accompanying notes.

CITY OF ATLANTIC BEACH, FLORIDA
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2019
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2018

	2019					2018 Totals
	Business Type Activities - Enterprise Funds					
	Utility	Stormwater	Sanitation	Building Code Enforcement	Total	
CASH FLOWS FROM OPERATING ACTIVITIES:						
Receipts from customers	\$ 8,846,480	\$ 889,512	\$ 1,862,370	\$ 531,475	\$ 12,129,837	\$ 11,685,961
Payments to suppliers	(3,019,117)	(435,518)	(1,630,306)	(116,294)	(5,201,235)	(5,728,267)
Payments for salaries and benefits	(1,997,454)	(334,471)	(66,113)	(413,992)	(2,812,030)	(2,884,219)
Net cash flows from operating activities	<u>3,829,909</u>	<u>119,523</u>	<u>165,951</u>	<u>1,189</u>	<u>4,116,572</u>	<u>3,073,475</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:						
Transfers from (to) other funds	(857,648)	200,000	-	-	(657,648)	(617,945)
Change in amounts due from/to other funds	-	-	(367,030)	-	(367,030)	367,030
Connection charges received	44,018	-	-	-	44,018	61,460
Operating grants	-	-	731,746	-	731,746	-
Franchise fees received	-	-	73,964	-	73,964	62,066
Net cash flows from noncapital financing activities	<u>(813,630)</u>	<u>200,000</u>	<u>438,680</u>	<u>-</u>	<u>(174,950)</u>	<u>(127,389)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:						
Acquisition and construction of capital assets, net of related payables	(630,914)	(273,502)	-	(8,135)	(912,551)	(1,448,870)
Principal paid on notes, bonds and lease obligations	(1,458,050)	(189,506)	-	-	(1,647,556)	(1,610,153)
Interest paid on borrowings and other debt costs	(398,705)	(35,321)	-	-	(434,026)	(469,306)
Proceeds from the sale of capital assets	-	-	-	-	-	6,820
Capital contributions and impact fees received, net of change in related receivables	808,439	-	22,298	-	830,737	882,930
Net cash flows from capital and related financing activities	<u>(1,679,230)</u>	<u>(498,329)</u>	<u>22,298</u>	<u>(8,135)</u>	<u>(2,163,396)</u>	<u>(2,638,579)</u>
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest on invested funds	328,612	29,066	25,299	16,318	399,295	(1,268,225)
Other income	5,800	-	-	-	5,800	(19,600)
Net cash flows from investing activities	<u>334,412</u>	<u>29,066</u>	<u>25,299</u>	<u>16,318</u>	<u>405,095</u>	<u>(1,287,825)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>1,671,461</u>	<u>(149,740)</u>	<u>652,228</u>	<u>9,372</u>	<u>2,183,321</u>	<u>(980,318)</u>
CASH AND CASH EQUIVALENTS, beginning of year	<u>8,719,451</u>	<u>1,808,621</u>	<u>-</u>	<u>669,959</u>	<u>11,198,031</u>	<u>12,178,349</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 10,390,912</u>	<u>\$ 1,658,881</u>	<u>\$ 652,228</u>	<u>\$ 679,331</u>	<u>\$ 13,381,352</u>	<u>\$ 11,198,031</u>
As shown in the Accompanying Financial Statements						
Equity in cash and investments	\$ 5,529,981	\$ 1,483,581	\$ 652,228	\$ 679,331	\$ 8,345,121	\$ 6,623,795
Cash with fiscal agent	1,173,162	175,300	-	-	1,348,462	1,337,616
Restricted equity in cash and investments	3,687,769	-	-	-	3,687,769	3,236,620
Total cash and cash equivalents	<u>\$ 10,390,912</u>	<u>\$ 1,658,881</u>	<u>\$ 652,228</u>	<u>\$ 679,331</u>	<u>\$ 13,381,352</u>	<u>\$ 11,198,031</u>
Noncash financing and investing activities:						
Amortization of refunding loss	\$ 93,910	\$ 14,033	\$ -	\$ -	\$ 107,943	\$ 107,943

Continued...

See accompanying notes.

CITY OF ATLANTIC BEACH, FLORIDA
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2019
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2018

	2019					2018 Totals
	Business Type Activities - Enterprise Funds					
	Utility	Stormwater	Sanitation	Building Code Enforcement	Total	
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:						
Operating income (loss)	\$ 2,191,652	\$ (668,063)	\$ 164,676	\$ (34,107)	\$ 1,654,158	\$ 866,243
Adjustments to reconcile operating income to net cash provided (used) by operating activities:						
Depreciation expense	1,916,264	651,585	1,092	8,476	2,577,417	2,625,880
(Increase) decrease in inventory and prepaids	-	-	-	-	-	(47,936)
(Increase) decrease in accounts receivable	(118,161)	(4,861)	(11,922)	-	(134,944)	(5,730)
(Increase) decrease in notes receivable	1,257	-	-	-	1,257	-
(Increase) decrease in amounts due from other governments	-	-	-	15,090	15,090	11,092
Increase (decrease) in accounts payable	8,019	126,155	6,186	15,277	155,637	(276,653)
Increase (decrease) in compensated absences	8,565	4,033	-	2,431	15,029	(11,688)
Increase (decrease) in customer deposits	34,119	-	-	-	34,119	38,232
(Increase) decrease in OPEB related deferred outflows	970	39	-	202	1,211	(5,762)
Increase (decrease) in the total OPEB liability	(8,951)	1,088	-	(68)	(7,931)	3,797
Increase (decrease) in OPEB related deferred inflows	1,922	474	-	890	3,286	5,778
(Increase) decrease in pension related deferred outflows	(42,010)	(20,590)	(14,944)	(10,327)	(87,871)	177,764
Increase (decrease) in the net pension liability	(354,842)	5,492	2,901	(16,101)	(362,550)	(440,398)
Increase (decrease) in pension related deferred inflows	191,105	24,171	17,962	19,426	252,664	146,148
Increase (decrease) in unearned revenue and other	-	-	-	-	-	(13,292)
Net cash flows from operating activities	<u>\$ 3,829,909</u>	<u>\$ 119,523</u>	<u>\$ 165,951</u>	<u>\$ 1,189</u>	<u>\$ 4,116,572</u>	<u>\$ 3,073,475</u>

See accompanying notes.

CITY OF ATLANTIC BEACH, FLORIDA
STATEMENT OF FIDUCIARY NET POSITION
SEPTEMBER 30, 2019
WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2018

ASSETS	Pension Trust Funds	
	2019	2018
Cash and cash equivalents	\$ 318,445	\$ 199,406
Due from other governments	-	123,068
Accrued income	35,719	40,374
Investments at fair value	32,403,671	31,647,582
Other assets	-	542
Total assets	<u>32,757,835</u>	<u>32,010,972</u>
LIABILITIES		
Due to City	<u>11,652</u>	<u>136,343</u>
Total Liabilities	<u>11,652</u>	<u>136,343</u>
NET POSITION		
Restricted for pension benefits	<u>\$ 32,746,183</u>	<u>\$ 31,874,629</u>

See accompanying notes.

CITY OF ATLANTIC BEACH, FLORIDA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2019
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Pension Trust Funds	
	2019	2018
ADDITIONS		
Contributions:		
City	\$ 2,251,184	\$ 2,186,899
Plan members	249,769	249,034
State of Florida	-	236,772
Total contributions	<u>2,500,953</u>	<u>2,672,705</u>
Investment income	1,039,693	2,507,611
Less investment expenses:	(111,228)	(106,903)
Net investment income	<u>928,465</u>	<u>2,400,708</u>
Total additions	<u>3,429,418</u>	<u>5,073,413</u>
DEDUCTIONS		
Administrative expenses	86,926	62,237
Payments to retirees and participants	2,470,938	2,192,144
Total deductions	<u>2,557,864</u>	<u>2,254,381</u>
CHANGE IN NET POSITION	871,554	2,819,032
NET POSITION, beginning of year	<u>31,874,629</u>	<u>29,055,597</u>
NET POSITION, end of year	<u>\$ 32,746,183</u>	<u>\$ 31,874,629</u>

See accompanying notes.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-wide and Fund Financial Statements

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

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

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

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

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

Government-Wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The City reports the following major governmental fund:

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

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

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

The City reports the following major proprietary funds:

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

Additionally, the City reports the following fund types:

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

Fund Balance Classification

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

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

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

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

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

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

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

Proprietary Funds

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

Budgets

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

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

Cash and Investments

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

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

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

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

Receivables

Receivables are recorded at their net realizable value.

Inter-Fund Receivables and Payables

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

Inventories

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

Restricted Assets

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

Use of Restricted Funds

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

Capital Assets

Capital assets, which include property, plant and equipment, and infrastructure assets (e.g., roads, drainage improvements, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Property, plant and equipment with initial, individual costs that equal or exceed \$1,000 and estimated useful lives of over one year are recorded as capital assets. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation.

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

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

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

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

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

Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums, discounts, and refunding losses are deferred and amortized over the life of the bonds using the effective interest method. Bond issuance costs are expensed when incurred with the exception of bond insurance, which is amortized over the term of the related debt.

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

Compensated Absences

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

Deferred Inflows/Outflows of Resources

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

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

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

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

Revenue Recognition

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

Property Taxes

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

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

Inter-Fund Transactions

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

Prior Period Information

The financial statements include certain prior year summarized comparative information in total. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the City's financial statements for the year ended September 30, 2018, from which the summarized information was derived.

Future GASB Pronouncement Implementations

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

- **Statement No 83, "Certain Asset Retirement Obligations (AROs)."**

This Statement addresses accounting and financial reporting for certain AROs. An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability. This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. This statement is currently under review and the City will consider the impact, if any, upon financial reporting. The provisions of this statement are effective for fiscal years beginning after June 15, 2019.

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

- **Statement No. 87, “Leases.”**

This Statement increases the usefulness of governments’ financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that

leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments’ leasing activities. This statement is currently under review and the City will consider the impact, if any, upon financial reporting. The provisions of this statement are effective for fiscal years beginning after June 15, 2021.

- **Statement 84, “Fiduciary Activities.”**

The requirements of this Statement will enhance consistency and comparability by (1) establishing specific criteria for identifying activities that should be reported as fiduciary activities and (2) clarifying whether and how business-type activities should report their fiduciary activities. The provisions of this statement are effective for fiscal years beginning after December 15, 2019.

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

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

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

NOTE 2 – CASH AND INVESTMENTS

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

At September 30, 2019, the carrying amount of cash on hand and on deposit with banks, including interest-bearing deposits was \$4,064,322, and the related bank balance was \$4,124,361. Monies which are placed on deposit with financial institutions in the form of demand deposit accounts, time deposit accounts, and certificates of deposit are defined as public deposits. All of the City’s public deposits are held in qualified public depositories pursuant to Florida Statutes Chapter 280, Florida Security for Public Deposits Act (the Act). Under the Act, all qualified public depositories are required to pledge eligible collateral having a market value equal to or greater than the average daily or monthly balance of all public deposits, times the depository’s collateral pledged level. The pledging level may range from 25% to 125% depending upon the depository’s financial condition and establishment period. All collateral must be deposited with an approved financial institution.

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

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

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

Following are the investments, credit ratings, and maturities of the City’s governmental and business-type activities at September 30, 2019:

Investment Type	Investment Maturities					Total
	Fair Value	Less than 1 Year	1-5 Years	6-10 Years	More than 10 Years	
Accrued interest	\$ 87,998	\$ 87,998	\$ -	\$ -	\$ -	87,998
Investment sale receivable	43,593	43,593	-	-	-	43,593
Money market funds / cash	53,875	53,875	-	-	-	53,875
Corporate bonds	5,994,714	1,084,184	4,880,074	30,456	-	5,994,714
U.S. Treasury Obligations and Federal Agency Securities	10,674,902	1,879,340	8,480,236	315,326	-	10,674,902
Florida PRIME	24,231	24,231	-	-	-	24,231
Total	\$ 16,879,313	\$ 3,173,221	\$ 13,360,310	\$ 345,782	\$ -	\$ 16,879,313

The Florida PRIME component of the cash and investments is an investment in an investment pool administered by the State Board of Administration, under the regulatory oversight of the State of Florida. Florida PRIME meets all the necessary criteria to report their investments at amortized cost in accordance with GASB Cod. Sec. In5. As of September 30, 2019, there were no redemption fees, maximum transaction amounts or any other requirements that service to limit the City’s access to one hundred percent of their account value. The fair value of the City’s position in the pool in the same as the value of the pool shares.

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

The City’s fixed income investment balances as of at September 30, 2019, are comprised of the following items:

Investment Type	S & P Credit Rating	Percentage of Total Fixed Income Investments
Corporate Bonds	AA+	0.31%
Corporate Bonds	AA	0.39%
Corporate Bonds	AA-	1.66%
Corporate Bonds	A+	1.80%
Corporate Bonds	A	8.42%
Corporate Bonds	A-	7.23%
Corporate Bonds	BBB+	5.94%
Corporate Bonds	BBB	3.68%
Corporate Bonds	BBB-	0.06%
Corporate Bonds	Not Rated	6.35%
U.S. Treasury Obligations and Federal Agency Securities	AAA	55.59%
U.S. Treasury Obligations and Federal Agency Securities	Not Rated	8.57%
		100.00%

Listed below are the investments, credit ratings and maturities in the City’s pension trust funds at September 30, 2019:

Investment Type	Investment Maturities					Total
	Fair Value	Less than 1 Year	1-5 Years	6-10 Years	More than 10 Years	
Money market funds / cash	\$ 514,259	\$ 514,259	\$ -	\$ -	\$ -	\$ 514,259
Corporate bonds	3,098,477	99,108	1,570,248	1,429,121	-	3,098,477
U.S. Treasury Obligations and Federal Agency Securities	3,079,786	60,721	1,642,688	694,177	682,200	3,079,786
Fixed Income Mutual Funds	4,749,357	4,749,357	-	-	-	4,749,357
Total	\$ 11,441,879	\$ 5,423,445	\$ 3,212,936	\$ 2,123,298	\$ 682,200	\$ 11,441,879

The City’s pension trust fund fixed income investment balances as of September 30, 2019, are comprised of the following items:

Investment Type	S & P Credit Rating	Percentage of Total Fixed Income Investments
Corporate Bonds	AAA	3.33%
Corporate Bonds	A	4.05%
Corporate Bonds	A-	2.31%
Corporate Bonds	BB+	2.36%
Corporate Bonds	BB	9.43%
Corporate Bonds	BB-	7.02%
Mutual Funds - Fixed Income	Not Rated	43.32%
U.S. Treasury Obligations and Federal Agency Securities	AAA	21.96%
U.S. Treasury Obligations and Federal Agency Securities	Not Rated	6.22%
		100.00%

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

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

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

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

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

Fair Value Measurements

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

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

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

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

CITY OF ATLANTIC BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 2 – CASH AND INVESTMENTS (concluded)

The fair value measurements for the City’s investments are as follows at September 30, 2019:

Investments by Fair Value Level	Amount	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
City Investments:				
Accrued interest	\$ 87,998	\$ 87,998	\$ -	\$ -
Investment sale receivable	43,593	43,593	-	-
Money Markets	53,875	53,875	-	-
Corporate Bonds	5,994,714	-	5,994,714	-
U.S. Treasury Obligations and Federal Agency Securities	10,674,902	-	10,674,902	-
Subtotal - City Investments	<u>16,855,082</u>	<u>185,466</u>	<u>16,669,616</u>	<u>-</u>
General Employees' Pension Plan:				
Money Markets	327,810	327,810	-	-
Corporate Bonds	1,971,682	-	1,971,682	-
U.S. Treasury Obligations and Federal Agency Securities	1,939,234	-	1,939,234	-
Mutual Funds - Fixed Income	2,981,555	2,981,555	-	-
Mutual Funds - Equities	2,624,480	2,624,480	-	-
ETFs	3,427,462	3,427,462	-	-
Equities	7,208,860	7,208,860	-	-
ICMA Self Directed	-	-	-	-
Subtotal - General Employees' Pension Plan	<u>20,481,083</u>	<u>16,570,167</u>	<u>3,910,916</u>	<u>-</u>
Police Officers' Pension Plan:				
Money Markets	186,449	186,449	-	-
Corporate Bonds	1,126,795	-	1,126,795	-
U.S. Treasury Obligations and Federal Agency Securities	1,140,552	-	1,140,552	-
Mutual Funds - Fixed Income	1,767,802	1,767,802	-	-
Mutual Funds - Equities	1,548,765	1,548,765	-	-
ETFs	1,746,854	1,746,854	-	-
Equities	4,232,640	4,232,640	-	-
ICMA Self Directed	172,731	172,731	-	-
Subtotal - Police Officers' Pension Plan	<u>11,922,588</u>	<u>9,655,241</u>	<u>2,267,347</u>	<u>-</u>
Total Investments Measured at Fair Value	<u>\$ 49,258,753</u>	<u>\$ 26,410,874</u>	<u>\$ 22,847,879</u>	<u>\$ -</u>

NOTE 3 – RECEIVABLES

Receivables, net of the allowance for doubtful accounts at September 30, 2019, consist of the following:

Fund	Total Accounts Receivable	Less Allowance for Doubtful Accounts	Accounts Receivable Net
General Fund	\$ 495	\$ -	\$ 495
Capital projects fund	115,512	-	115,512
Utility Fund	1,110,938	(449,821)	661,117
Stormwater Fund	68,929	(15,597)	53,332
Sanitation Fund	143,011	(53,602)	89,409
Total	\$ 1,438,885	\$ (519,020)	\$ 919,865

Included in accounts receivable are \$242,623 of water and sewer revenues earned, but not billed as of September 30, 2019.

NOTE 4 – NOTES RECEIVABLE

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

Following is a summary of the outstanding balance due to the City at September 30, 2019:

Notes Receivable	\$ 135,525
(Current Portion)	(15,759)
Total Notes Receivable - Noncurrent	\$ 119,766

CITY OF ATLANTIC BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended September 30, 2019, is as follows:

	Balance October 1, 2018	Transfers	Increases	Decreases	Balance September 30, 2019
<u>Governmental Activities:</u>					
Capital assets, not being depreciated:					
Land	\$ 11,913,572	\$ -	\$ -		\$ 11,913,572
Construction in process	741,396	(17,007)	173,562	-	897,951
Total capital assets, not being depreciated	<u>12,654,968</u>	<u>(17,007)</u>	<u>173,562</u>	<u>-</u>	<u>12,811,523</u>
Capital assets, being depreciated:					
Buildings	9,450,124	4,160	93,200	-	9,547,484
Intangible assets	428,352	12,847	7,123	-	448,322
Improvements other than buildings	41,817,798	-	404,887	-	42,222,685
Machinery and equipment	5,117,155	-	540,367	-	5,657,522
Total capital assets, being depreciated	<u>56,813,429</u>	<u>17,007</u>	<u>1,045,577</u>	<u>-</u>	<u>57,876,013</u>
Less accumulated depreciation for:					
Buildings	(2,403,207)	-	(168,941)	-	(2,572,148)
Intangible assets	(380,002)	-	(16,142)	-	(396,144)
Improvements other than buildings	(17,005,388)	-	(666,098)	-	(17,671,486)
Machinery and equipment	(3,841,814)	-	(515,973)	-	(4,357,787)
Total accumulated depreciation	<u>(23,630,411)</u>	<u>-</u>	<u>(1,367,154)</u>	<u>-</u>	<u>(24,997,565)</u>
Total capital assets being depreciated, net	<u>33,183,018</u>	<u>17,007</u>	<u>(321,577)</u>	<u>-</u>	<u>32,878,448</u>
Governmental activities capital assets, net	<u>\$ 45,837,986</u>	<u>\$ -</u>	<u>\$ (148,015)</u>	<u>\$ -</u>	<u>\$ 45,689,971</u>
<u>Business-type activities:</u>					
Capital assets, not being depreciated:					
Land	\$ 1,656,018	\$ -	\$ -	\$ -	\$ 1,656,018
Construction-in-progress	1,486,408	(247,258)	451,263	-	1,690,413
Total capital assets, not being depreciated	<u>3,142,426</u>	<u>(247,258)</u>	<u>451,263</u>	<u>-</u>	<u>3,346,431</u>
Capital assets, being depreciated:					
Buildings	4,356,384	-	-	-	4,356,384
Intangible assets	244,709	-	-	-	244,709
Improvements other than buildings	85,317,678	211,271	128,095	-	85,657,044
Machinery and equipment	3,127,810	35,987	339,448	-	3,503,245
Total capital assets, being depreciated	<u>93,046,581</u>	<u>247,258</u>	<u>467,543</u>	<u>-</u>	<u>93,761,382</u>
Less accumulated depreciation for:					
Buildings	(4,312,327)	-	(8,442)	-	(4,320,769)
Intangible assets	(31,044)	-	(190)	-	(31,234)
Improvements other than buildings	(49,911,446)	-	(2,316,454)	-	(52,227,900)
Machinery and equipment	(2,147,606)	-	(252,331)	-	(2,399,937)
Total accumulated depreciation	<u>(56,402,423)</u>	<u>-</u>	<u>(2,577,417)</u>	<u>-</u>	<u>(58,979,840)</u>
Total capital assets being depreciated, net	<u>36,644,158</u>	<u>247,258</u>	<u>(2,109,874)</u>	<u>-</u>	<u>34,781,542</u>
Business-type activities capital assets, net	<u>\$ 39,786,584</u>	<u>\$ -</u>	<u>\$ (1,658,611)</u>	<u>\$ -</u>	<u>\$ 38,127,973</u>

NOTE 5 – CAPITAL ASSETS (concluded)

Depreciation expense was charged to functions/programs as follows:

Governmental Activities:

General government	\$	221,950
Public safety		283,017
Transportation		535,919
Parks and recreation		326,268
Total depreciation expense - governmental activities	\$	<u>1,367,154</u>

Business-type Activities:

Utility	\$	1,916,264
Stormwater		651,585
Sanitation		1,092
Building Code Enforcement		8,476
Total depreciation expense - business-type activities	\$	<u>2,577,417</u>

**CITY OF ATLANTIC BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE 6 – LONG-TERM OBLIGATIONS

The following is a summary of the changes in long-term obligations of the City for the year ended September 30, 2019:

	Balance October 1, 2018	Increases	Decreases	Balance September 30, 2019	Amounts Due within One Year
Governmental Activities:					
Long-term debt:					
Capital Improvement Revenue Bond, Series 2018	\$ 1,400,000	\$ -	\$ -	\$ 1,400,000	\$ 70,000
Total long-term debt	1,400,000	-	-	1,400,000	70,000
Other liabilities:					
OPEB obligation	313,894	22,547	-	336,441	-
Net pension liability	6,377,619	-	(1,048,798)	5,328,821	-
Compensated absences	742,783	19,568	-	762,351	171,064
Total other liabilities	7,434,296	42,115	(1,048,798)	6,427,613	171,064
Total long-term obligations	\$ 8,834,296	\$ 42,115	\$ (1,048,798)	7,827,613	\$ 241,064
Less amounts due in one year				(241,064)	
Total noncurrent obligations due in more than one year				\$ 7,586,549	
Business-type Activities:					
Long-term debt:					
Utility System Revenue Refunding Bond, Series 2014	\$ 10,525,000	\$ -	\$ (1,215,000)	\$ 9,310,000	\$ 1,240,000
FDEP Loan DW160710	525,873	-	(35,867)	490,006	36,848
FDEP Loan WW160700	5,763,576	-	(333,574)	5,430,002	344,131
Capital Lease Payable - 2018	267,650	-	(63,115)	204,535	65,536
Total bonds and notes payable	17,082,099	-	(1,647,556)	15,434,543	1,686,515
Other liabilities:					
OPEB obligation	141,445	-	(7,931)	133,514	-
Net pension liability	2,134,761	-	(362,550)	1,772,211	-
Compensated absences	234,974	15,029	-	250,003	44,220
Total other liabilities	2,511,180	15,029	(370,481)	2,155,728	44,220
Total long-term liabilities	\$ 19,593,279	\$ 15,029	\$ (2,018,037)	17,590,271	\$ 1,730,735
Less amounts due in one year				(1,730,735)	
Net long-term liabilities in excess of one year				\$ 15,859,536	

Notes to the Long-Term Obligations Table:

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

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

Governmental Activities:

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

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

Notes to the Long-Term Obligations Table:

Business-type Activities

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

The asset acquired through the capital lease are as follows:

	Business-type Activities	
Asset:		
Vac-Con vacuum truck	\$	334,544
Less: accumulated depreciation		(74,343)
Net book value	\$	<u>260,201</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2019, were as follows:

Year Ending September 30	Principal	Interest	Total
2020	\$ 65,535	\$ 8,140	\$ 73,675
2021	68,144	5,532	73,676
2022	70,856	2,820	73,676
2023	<u>\$ 204,535</u>	<u>\$ 16,492</u>	<u>\$ 221,027</u>

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

Notes to the Long-Term Obligations Table:

The annual requirements to amortize all revenue bonds and loans payable outstanding at September 30, 2019, are as follows:

<u>Fiscal Year Ending</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2020	\$ 70,000	\$ 48,458	\$ 1,620,979	\$ 462,297
2021	75,000	47,215	1,657,876	409,835
2022	80,000	44,553	1,705,143	356,031
2023	80,000	41,713	1,747,795	300,790
2024	85,000	38,873	1,790,842	244,183
2025-2029	460,000	147,868	5,179,662	536,231
2030-2034	550,000	60,350	1,527,711	82,968
Total	<u>\$ 1,400,000</u>	<u>\$ 429,030</u>	<u>\$ 15,230,008</u>	<u>\$ 2,392,335</u>

Interest and amortization incurred during the year ended September 30, 2019, amounted to \$567,669. Of the amount incurred, no interest was capitalized.

The City is also required to maintain certain debt service coverage ratios in accordance with bond resolutions. As of September 30, 2019, and during the year then ended, the City was in compliance with those ratios.

Pledged Revenue

The City has pledged certain revenues to repay certain bonds and notes outstanding as of September 30, 2019. The following table reports the revenues, sometimes net of related operating expenses, pledged for each debt issue, the amounts of such revenues received in the current year, the current year principal and interest paid on the debt, the approximate percentage of each revenue which is pledged to meet the debt obligation, and the date through which the revenue is pledged under the debt agreement, and the total pledged future revenues for each debt, which is the amount of the remaining principal and interest on the bonds and notes at September 30, 2019:

<u>Description</u>	<u>Pledged Revenue</u>	<u>Revenue Pledged Through</u>	<u>Total Principal and Interest Outstanding</u>	<u>Current Year Principal and Interest Paid</u>	<u>Current Year Net Revenue</u>	<u>Percentage of Net Revenues to Principal and Interest Paid</u>
2014 - Utility System						
Refunding Bonds	Utility Net Revenues	2026	\$ 10,393,348	\$ 1,446,078	\$ 4,107,916	
FDEP Loan DW160710	Utility Net Revenues	2031	\$ 573,606	\$ 49,879	\$ 4,107,916	
FDEP Loan WW160700	Utility Net Revenues	2032	\$ 6,655,389	\$ 511,953	\$ 4,107,916	
Total			<u>\$ 17,622,343</u>	<u>\$ 2,007,910</u>	<u>\$ 4,107,916</u>	<u>204.59%</u>

NOTE 6 – LONG-TERM OBLIGATIONS (concluded)

Remedies in the Event of Default

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

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

Conduit Debt

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

There is no obligation on the part of the City or any political subdivision for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of September 30, 2019, there are two series of Health Facility Revenue and Refunding Bonds outstanding, with an aggregate principal amount payable of \$166,630,000

NOTE 7 – DEFINED BENEFIT PENSION PLANS

Plan Descriptions

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

General Employees’ Retirement Plan

Plan Description

The General Employees’ Retirement Plan (the Plan) provides retirement, disability, and death benefits to Plan members and their beneficiaries. The City Commission has the authority to establish and amend the benefit provisions of the Plan. The Plan is governed by a Retirement Plan Board appointed by the City Commission and comprised of five members, two of which will be eligible legal residents of the City, two of which will be general employees elected by the majority of general employees who are members of the Plan, and one of which will be elected by the other four members. Plan membership in the General Employees’ Retirement Plan as of September 30, 2019 and 2018, is as follows:

	September 30 2018	September 30 2017
Inactive plan members or beneficiaries currently receiving benefits	74	69
Inactive plan members entitled to but not yet receiving benefits	7	10
Active plan members	34	37
Total	<u>115</u>	<u>116</u>

Plan Benefits

Normal retirement is available upon the attainment of age sixty and the completion of five years of credited service. Early retirement is available with a reduced benefit upon the attainment of age fifty-five and the completion of five years of credited service. For members hired before April 24, 2005, the normal retirement benefit shall equal 2.85% of average final compensation for each year of credited service. For members hired on or after April 24, 2005, the normal retirement benefit shall equal 2.50% of average final compensation for each year of credited service. The Plan includes a deferred retirement option program (DROP) under which members eligible for normal retirement may have their monthly pension benefit credited to an account while continuing to be actively employed for up to five years. As of September 30, 2019, Plan net position included \$0 of DROP account balances.

Contributions

The City is required to contribute at an actuarially determined rate (79.3%) of valuation payroll for the year ended September 30, 2019. City contributions to the Plan were \$1,424,479 for the year ended September 30, 2019. Plan members are required to contribute 6.0% of their annual covered salary. Contribution requirements are established by City code, which may be amended by the City Commission.

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

Measurement Date

The City elected to use a measurement date to value the net pension liability and related deferred inflows and outflows as of September 30, 2018, one year prior to the reporting date. The City’s Pension Plans do not issue separate financial statements. Therefore, the disclosures required for the Plan as of September 30, 2019, are also included below.

Net Pension Liability

The components of the changes in the net pension liability for the Plan for the year ended September 30, 2019 is shown below.

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension (Asset) Liability
	(a)	(b)	(a)-(b)
Reporting period ending 9/30/2018	\$ 22,894,177	\$ 18,243,134	\$ 4,651,043
Changes for the year:			
Service cost	345,019	-	345,019
Interest	1,574,193	-	1,574,193
Difference between actual and expected experience	(473,189)	-	(473,189)
Change in assumptions	695,507	-	695,507
Contributions - City	-	1,332,119	(1,332,119)
Contributions - employee	-	117,536	(117,536)
Net investment income	-	1,554,225	(1,554,225)
Benefit payments, including refunds of employee contributions	(1,501,456)	(1,501,456)	-
Administrative expense	-	(31,261)	31,261
Net changes	640,074	1,471,163	(831,089)
Reporting period ending 9/30/2019	\$ 23,534,251	\$ 19,714,297	\$ 3,819,954

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

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

The components of the net pension liability for the Plan as of the September 30, 2019 measurement date were as follows:

Total pension liability	\$ 24,146,186
Plan fiduciary net position	<u>(20,497,952)</u>
Net pension liability (asset)	<u>\$ 3,648,234</u>
Plan fiduciary net position as a percentage of the total pension liability	85%

For the year ended September 30, 2019, the City recognized total pension expense of \$962,776. The City reported deferred outflows of resources and deferred inflows of resources related to the General Employees’ Pension Plan from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 61,974	\$ 267,455
Change in assumptions	393,113	-
Difference between projected and actual earnings on Plan investments	-	653,498
City contributions subsequent to the measurement date	<u>1,424,490</u>	-
Total	<u>\$ 1,879,577</u>	<u>\$ 920,953</u>

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

Year ending September 30,	Amount
2020	\$ 48,761
2021	(256,766)
2022	(192,736)
2023	<u>(65,125)</u>
	<u>\$ (465,866)</u>

Plan Investments

The Retirement Plan Board is responsible for establishing and amending the Plan’s investment policies. The Plan’s current investment policy gives the Board discretion to allocate assets with assistance of the Plan’s investment consultant. No formal targets are stated in the investment policy although the maximum allocation to international equities is 25%. The money-weighted rate of return on Plan investments, net of investment related expenses, was 4.04% and 8.67% for the years ended September 30, 2019 and 2018, respectively.

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

Actuarial Assumptions

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

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

Long Term Expected Rate of Return

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

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

Discount Rate

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

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

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability of the City, calculated using the discount rate noted below, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate for both the measurement date of September 30, 2018 and the financial reporting date of September 30, 2019.

As of September,	Current Discount Rate	1% Decrease	Current Rate	1% Increase
9/30/2018	6.75%	\$ 6,422,922	\$ 3,819,954	\$ 1,519,301
9/30/2019	6.75%	\$ 6,263,183	\$ 3,648,234	\$ 1,407,059

Police Officers' Retirement Plan

Plan Description

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

	September 30 2018	September 30 2017
Inactive plan members or beneficiaries currently receiving benefits	22	22
Inactive plan members entitled to but not yet receiving benefits	4	4
Active plan members	24	23
Total	50	49

Plan Benefits

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

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

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

Contributions

The City is required to contribute, at actuarially determined rates, if State of Florida contributions are not sufficient (combined City and State contributions were 46.57% of valuation payroll for the year ended September 30, 2019). City and State contributions to the Police Plan were \$826,705 for the year ended September 30, 2019. Police Plan members are required to contribute 8.0% of their annual covered salary. Per City Code, the City Commission may amend established contribution requirements.

Measurement Date

The City elected to use a measurement date to value the net pension liability and related deferred inflows and outflows as of September 30, 2018, one year prior to the reporting date. The City's Pension Plans do not issue separate financial statements. Therefore, the disclosures required for the Plan as of September 30, 2019, are also included below.

Net Pension Liability

The components of the changes in the net pension liability for the Police Plan for the year ended September 30, 2019 (September 30, 2018 measurement date) is shown below:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension (Asset) Liability
	(a)	(b)	(a)-(b)
Reporting period ending 9/30/2018	\$ 14,664,876	\$ 10,803,540	\$ 3,861,336
Changes for the year:			
Service cost	329,254	-	329,254
Interest	1,016,983	-	1,016,983
Difference between actual and expected experience	(209,232)	-	(209,232)
Changes of assumptions	454,983	-	454,983
Changes in the excess State money	(120,454)	-	(120,454)
Contributions - City	-	854,780	(854,780)
Contributions - State	-	236,772	(236,772)
Contributions - employee	-	131,498	(131,498)
Net investment income	-	853,894	(853,894)
Benefit payments, including refunds of employee contributions	(690,688)	(690,688)	-
Administrative expense	-	(25,152)	25,152
Net changes	<u>780,846</u>	<u>1,361,104</u>	<u>(580,258)</u>
Reporting period ending 9/30/2019	<u>\$ 15,445,722</u>	<u>\$ 12,164,644</u>	<u>\$ 3,281,078</u>

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

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

The components of the net pension liability for the Police Plan as of the September 30, 2019 measurement date were as follows:

Total pension liability	\$ 15,309,524
Plan fiduciary net position	<u>(12,258,376)</u>
Net pension liability (asset)	<u>\$ 3,051,148</u>
 Plan fiduciary net position as a percentage of the total pension liability	 80%

For the year ended September 30, 2019, the City recognized total pension expense of \$962,776. The City reported deferred outflows of resources and deferred inflows of resources related to the General Employees’ Pension Plan from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 109,614	\$ 167,717
Change in assumptions	341,237	12,128
Net difference between projected and actual earnings on Plan investments	-	225,647
City contributions subsequent to the measurement date	<u>826,705</u>	<u>-</u>
Total	<u>\$ 1,277,556</u>	<u>\$ 405,492</u>

Contributions made after the measurement date (shown above) will be recognized as a reduction of net pension liability in the fiscal year ending September 30, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ending September 30,</u>	<u>Amount</u>
2018	\$ 80,050
2019	(3,525)
2020	(9,657)
2021	<u>(21,509)</u>
	<u>\$ 45,359</u>

Plan Investments

The Policemen’s Pension Board of Trustees is responsible for establishing and amending the Police Plan’s investment policies. The Police Plan’s current investment policy gives the Board discretion to allocate assets with assistance of the Police Plan’s investment consultant. No formal targets are stated in the investment policy although the maximum allocation to international equities is 25%. The money-weighted rate of return on Plan investments, net of investment related expenses, was 4.38% and 8.26% for the years ended September 30, 2019 and 2018, respectively.

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

Actuarial Assumptions

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

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

Long Term Expected Rate of Return

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

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

Discount Rate

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

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

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability of the City, calculated using the discount rate noted below, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate for both the measurement date of September 30, 2018 and the financial reporting date of September 30, 2019.

As of September,	Current Discount Rate	1% Decrease	Current Rate	1% Increase
9/30/2018	6.75%	\$ 5,147,498	\$ 3,281,078	\$ 1,727,757
9/30/2019	6.75%	\$ 4,821,956	\$ 3,051,148	\$ 1,406,207

The Statements of Fiduciary Net Position for the City's pension trust funds for the year ended September 30, 2019 were as follows:

	Pension Trust Funds			
	General Employees' Retirement Plan	Police Officers' Retirement Plan	2019 Totals	2018 Totals
ASSETS				
Cash and cash equivalents	\$ -	\$ 318,445	\$ 318,445	\$ 199,406
Due from other governments	-	-	-	123,068
Accrued income	22,881	12,838	35,719	40,374
Investments at fair value	20,481,083	11,922,588	32,403,671	31,647,582
Other assets	-	-	-	542
Total assets	<u>20,503,964</u>	<u>12,253,871</u>	<u>32,757,835</u>	<u>32,010,972</u>
LIABILITIES				
Due to City	<u>11,652</u>	-	<u>11,652</u>	<u>136,343</u>
Total Liabilities	<u>11,652</u>	-	<u>11,652</u>	<u>136,343</u>
NET POSITION				
Restricted for pension benefits	<u>\$ 20,492,312</u>	<u>\$ 12,253,871</u>	<u>\$ 32,746,183</u>	<u>\$ 31,874,629</u>

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NOTE 7 – DEFINED BENEFIT PENSION PLANS (concluded)

The Statements of Changes in Fiduciary Net Position for the City’s pension trust funds for the year ended September 30, 2019 were as follows:

	Pension Trust Funds			
	General Employees' Retirement Plan	Police Officers' Retirement Plan	2019 Totals	2018 Totals
ADDITIONS				
Contributions:				
City	\$ 1,424,479	\$ 826,705	\$ 2,251,184	\$ 2,186,899
Plan members	107,745	142,024	249,769	249,034
State of Florida	-	-	-	236,772
Total contributions	<u>1,532,224</u>	<u>968,729</u>	<u>2,500,953</u>	<u>2,672,705</u>
Investment income	692,904	346,789	1,039,693	2,507,611
Less investment expenses:	(71,982)	(39,246)	(111,228)	(106,903)
Net investment income	<u>620,922</u>	<u>307,543</u>	<u>928,465</u>	<u>2,400,708</u>
Total additions	<u>2,153,146</u>	<u>1,276,272</u>	<u>3,429,418</u>	<u>5,073,413</u>
DEDUCTIONS				
Administrative expenses	44,725	42,201	86,926	62,237
Payments to retirees and participants	1,327,161	1,143,777	2,470,938	2,192,144
Total deductions	<u>1,371,886</u>	<u>1,185,978</u>	<u>2,557,864</u>	<u>2,254,381</u>
CHANGE IN NET POSITION	781,260	90,294	871,554	2,819,032
NET POSITION, beginning of year	<u>19,711,052</u>	<u>12,163,577</u>	<u>31,874,629</u>	<u>29,055,597</u>
NET POSITION, end of year	<u>\$ 20,492,312</u>	<u>\$ 12,253,871</u>	<u>\$ 32,746,183</u>	<u>\$ 31,874,629</u>

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NOTE 8 – DEFINED CONTRIBUTION PLAN

The City passed an ordinance in 2013 closing the General Employees’ defined benefit plan to new entrants and creating the City of Atlantic Beach Defined Contribution Plan. The City’s 457 defined contribution plan is administered through ICMA, which covers all eligible employees employed with the City on or after September 1, 2008, who are not covered by the City’s Police Officers’ defined benefit plan. Under the 457 Plan, the City contributes an employer matching contribution of up to 6% of earnings during the first ten years of service. Following ten years of service, the City contributes an additional fixed contribution of 4% of earnings for a total of 10%. Employees have the option to voluntarily contribute to the 457 Plan. Employer matching contributions from the City were \$77,725 and \$64,100 for the years ended September 30, 2019 and 2018, respectively. Under the 457 Plan, an employee is considered fully vested after 5 years of completed service.

NOTE 9 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description

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

Membership in the Plan consisted of the following, as of September 30, 2017, the date of the latest actuarial valuation:

	September 30, 2017
Inactive plan members or beneficiaries currently receiving benefits	4
Inactive plan members entitled to but not yet receiving benefits	-
Active plan members	104
Total	108

Funding Policy

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

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

Actuarial Methods and Assumptions

For the September 30, 2017 actuarial valuation, the Entry Age Normal Actuarial Cost Method was used. This method determines a service cost rate as a fixed percentage of compensation for each active participant. The current years' service cost is the participant's compensation multiplied by the service cost rate. Under this method, service cost for each individual participant, payable from date of employment to date of retirement, is sufficient to pay for the participant's benefit at retirement.

Other actuarial assumptions are as follows:

Discount Rate: 3.83%

Investment Rate of Return: 0.0%

Salary Increases: Rates used in the October 1, 2017 actuarial valuation of the City's pension plans.

Healthcare Cost Trend: Based on Getzen Model, with trend of 7.09% for 2018 and 5.00% for 2019, 6.50% for 2020 and gradually decreasing to an ultimate trend rate of 4.24% plus 0.38% increase for excise tax.

Mortality: Mortality tables used for Regular and Special Risk Class members in the July 1, 2016 actuarial valuation of the Florida Retirement System. They are based on the results of a statewide experience study covering the period 2008 through 2013.

Discount Rate

The discount rate used to measure the total OPEB liability was 3.83% as of September 30, 2018, which is equal to the single rate of return developed pursuant to GASB 75. The discount rate used to determine the liabilities under GASB 75 depends on the City's funding policy. Since the City does not prefund benefits, the discount rate required to be used is based on the Fidelity 20-Year Municipal General Obligation AA Index. This index includes only federally tax-exempt municipal bonds and the yield curves are constructed using option adjusted analytics of a diverse population of over 10,000 tax exempt securities.

Annual OPEB Cost and Net OPEB Obligation

The City's total OPEB liability was measured as of September 30, 2018 and was determined by an actuarial valuation as of September 30, 2017. Changes in the Total OPEB liability were as follows:

	Total OPEB Liability
Reporting period ending September 30, 2018	\$ 455,339
Changes for the year:	
Service cost	39,404
Interest	16,906
Changes of assumptions	(18,238)
Benefit payments	(23,456)
Net changes	<u>14,616</u>
Reporting period ending September 30, 2019	<u>\$ 469,955</u>

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

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

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

	<u>1% Decrease</u>	<u>Rate Assumption</u>	<u>1% Increase</u>
Total OPEB liability	\$ 528,866	\$ 469,955	\$ 420,304

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

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

	<u>1% Decrease</u>	<u>Current Healthcare Cost Trend Rate Assumption</u>	<u>1% Increase</u>
Total OPEB liability	\$ 399,130	\$ 469,955	\$ 560,236

OPEB Expense and Deferred Inflows of Resources Related to OPEB

For the year ended September 30, 2019, the City recognized OPEB expense of \$51,372. At September 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of assumptions or other inputs	\$ -	\$ 31,903
City contributions subsequent to the measurement date	<u>21,385</u>	<u>-</u>
Total	<u>\$ 21,385</u>	<u>\$ 31,903</u>

Of the total amount reported as deferred outflows of resources related to OPEB, \$21,385 resulting from benefits paid subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the total OPEB liability in the year ended September 30, 2020. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year ended September 30,</u>	<u>Amount</u>
2020	\$ (4,938)
2021	(4,938)
2022	(4,938)
2023	(4,938)
2024	(4,938)
Thereafter	<u>(7,213)</u>
Total	<u>\$ (31,903)</u>

NOTE 10 – INTERFUND ACCOUNTS

Individual fund inter-fund receivables and payables at September 30, 2019, consist of the following:

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$ 283,396	\$ -
Community Development Block		
Grants Fund	-	116,546
Police Grants Fund	-	8,083
Capital Projects Fund	-	44,067
Debt Service Fund	-	114,700
	<u>\$ 283,396</u>	<u>\$ 283,396</u>

Inter-fund receivable/payables are due to timing differences associated with grant reimbursements. The receivable/payables are expected to be received/paid within one year.

NOTE 11 – INTERFUND TRANSFERS

Transfers of resources from a fund receiving revenue to the fund through which the resources are to be expended are recorded as transfers and are reported as other financing sources (uses) in the governmental funds and as transfers in (out) in the proprietary funds. Following is a summary of inter-fund transfers for the year ended September 30, 2019:

	<u>Transfer In:</u>		
	<u>General Fund</u>	<u>Stormwater Fund</u>	<u>Total</u>
Transfers Out:			
Utility Fund	\$ 857,648	\$ -	\$ 857,648
Local Option Gas Tax Fund	235,000	-	235,000
Half-cent Sales Tax Fund	-	200,000	200,000
Total	<u>\$ 1,092,648</u>	<u>\$ 200,000</u>	<u>\$ 1,292,648</u>

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

NOTE 12 – COMMITMENTS

On June 2, 1999, the City entered into an agreement with the City of Jacksonville, Florida, whereas the City of Jacksonville will provide advanced life support and fire services to the residents and businesses located in the City. The term of the agreement shall be from the effective date and continuing for a period of 25 years unless terminated earlier by the parties (such parties must provide a one-year notice). For the year ended September 30, 2019, the City incurred \$1,200,419 in services under this agreement. The amount will be adjusted annually by an amount equal to 103% of the previous year's amount for all services provided by the City of Jacksonville.

NOTE 13 - CONTINGENCIES

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

NOTE 14 – RISK MANAGEMENT

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

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

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

NOTE 15 – SUBSEQUENT EVENT

The COVID-19 pandemic has created economic disruptions throughout the country as of the date of this report causing significant declines in the financial markets and economic activity overall. The City expects to experience losses of various local and state shared revenues, declines in user fees, declines in investment values for both the government and in pension plans which could result in increased pension contributions and declines in financial reserves as a result. The ultimate effects of these items are expected to be significant but is not quantifiable at this time.

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF ATLANTIC BEACH, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL – GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u> <u>(Budgetary</u> <u>Basis) see</u> <u>Note A</u>	<u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
REVENUES				
Property taxes	\$ 5,454,505	\$ 5,519,446	\$ 5,519,446	\$ -
Non-property taxes	1,187,466	1,328,507	1,182,199	(146,308)
Licenses and permits	913,961	915,989	795,447	(120,542)
Intergovernmental revenue	2,207,407	2,295,469	2,224,731	(70,738)
Charges for services	773,902	814,714	785,278	(29,436)
Fines and forfeitures	112,890	112,890	41,115	(71,775)
Investment earnings (loss)	159,001	159,001	191,557	32,556
Miscellaneous revenues	30,382	30,382	65,126	34,744
Interfund charges	1,569,920	1,569,920	1,608,052	38,132
Total revenues	<u>12,409,434</u>	<u>12,746,318</u>	<u>12,412,951</u>	<u>(333,367)</u>
EXPENDITURES				
City Administration:				
City Commission	48,558	39,553	40,194	(641)
City Clerk	350,860	350,860	317,875	32,985
City Attorney	241,667	218,348	165,954	52,394
City Manager	418,570	438,139	437,648	491
Human resources	231,503	242,718	242,047	671
Information technology	923,407	923,407	772,608	150,799
Finance	990,537	1,086,325	1,019,090	67,235
Total City administration	<u>3,205,102</u>	<u>3,299,350</u>	<u>2,995,416</u>	<u>303,934</u>
Planning and zoning	<u>412,891</u>	<u>440,729</u>	<u>445,214</u>	<u>(4,485)</u>
General government	<u>706,169</u>	<u>706,169</u>	<u>630,921</u>	<u>75,248</u>
Public safety:				
Police	4,848,988	5,196,848	5,108,167	88,681
Animal control	93,865	93,865	89,472	4,393
Fire control	1,591,334	1,591,334	1,475,750	115,584
Code enforcement	96,749	82,749	70,667	12,082
Total public safety	<u>6,630,936</u>	<u>6,964,796</u>	<u>6,744,056</u>	<u>220,740</u>

Continued...

CITY OF ATLANTIC BEACH, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL – GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	<u>Budgeted Amounts</u>		Actual Amounts (Budgetary Basis) see Note A	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Public works:				
Administration and streets	1,672,281	1,672,281	1,538,995	133,286
Fleet maintenance	344,776	344,776	263,988	80,788
Total public works	<u>2,017,057</u>	<u>2,017,057</u>	<u>1,802,983</u>	<u>214,074</u>
Parks and recreation				
Recreation and special events	503,926	503,926	477,386	26,540
Parks maintenance	965,216	965,216	952,382	12,834
Total parks and recreation	<u>1,469,142</u>	<u>1,469,142</u>	<u>1,429,768</u>	<u>39,374</u>
Total expenditures	<u>14,441,297</u>	<u>14,897,243</u>	<u>14,048,358</u>	<u>848,885</u>
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	<u>(2,031,863)</u>	<u>(2,150,925)</u>	<u>(1,635,407)</u>	<u>515,518</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	1,386,373	1,386,373	1,092,648	293,725
Sale of general capital assets	30,000	30,000	-	(30,000)
Total other financing sources (uses)	<u>1,416,373</u>	<u>1,416,373</u>	<u>1,092,648</u>	<u>263,725</u>
NET CHANGE IN FUND BALANCE	<u>\$ (615,490)</u>	<u>\$ (734,552)</u>	<u>\$ (542,759)</u>	<u>\$ 191,793</u>

CITY OF ATLANTIC BEACH, FLORIDA
NOTES TO THE SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL –
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2019

Note A - Budgets and Budgetary Accounting

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

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

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

Sources/inflows of resources

Total revenue from the budgetary comparison schedule \$ 12,412,951

Differences - budget to GAAP:

For GAAP, General Fund inter-fund charges are reported as a reduction in the applicable expenditure function rather than revenues. (1,608,052) (*)

Total revenues as reported on the statement of revenues, expenditures and changes in fund balances (page 16) \$ 10,804,899

Uses/outflows of resources

Actual amounts (budgetary basis) "total charges to appropriations" from the Total expenditures from the budgetary comparison schedule \$ 14,048,358

Differences - budget to GAAP:

For GAAP, General Fund inter-fund charges are reported as a reduction in the applicable expenditure function rather than revenues. (1,608,052) (*)

Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances (page 16) \$ 12,440,306

(*) - Interfund charges by Division

City Manager	\$ 160,747
Finance	744,738
Public Works Admin	274,137
Fleet and Equipment Maintenance	98,160
Human Resources	58,049
Information Technology	186,443
Facility Maintenance	85,778
	\$ 1,608,052

CITY OF ATLANTIC BEACH, FLORIDA

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

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

Continued...

CITY OF ATLANTIC BEACH, FLORIDA

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

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

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

Change of Assumptions:

For measurement date September 30, 2018:

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

CITY OF ATLANTIC BEACH, FLORIDA

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

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

Continued...

CITY OF ATLANTIC BEACH, FLORIDA

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

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

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

Change of Assumptions:

For measurement date September 30, 2018:

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

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

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

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

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

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

- **Valuation Date:** September 30, 2017. Actuarially determined contribution rates are calculated as of September 30, two years prior to the end of the fiscal year in which contributions are required.
- **Actuarial Cost Method:** Entry Age Normal Cost Method
- **Amortization Method:**
 - *General Employees' Plan* – Closed, Level Dollar Method
 - *Police Officers' Plan* - Closed, Level % of Pay Method
- **Remaining Amortization Period:**
 - *General Employees' Plan* – 10 Years.
 - *Police Officers' Plan* - 30 years.
- **Asset Valuation Method:** 4-year smoothed market value where the difference between the expected and actual return on market value of assets is phased in over a period of four years at a rate of 25% per year.
- **Inflation:** 2.50%
- **Salary Increases:**
 - *General Employees Plan* – Age Based ranging from 4.8% to 9.5% (including 2.5% price inflation).
 - *Police Officers' Plan* – Age Based ranging from 4.5% to 18.5% (including 2.5% price inflation).
- **Investment Rate of Return:** 6.75% per year compounded annually, net of investment expenses, including inflation.
- **Retirement Age:** Experience-based table of rates (from Experience Study dated August 9, 2017 for the period October 1 2009 to September 30, 2016) that vary by age.
- **Mortality:** RP-2000 Combined Healthy Participant Mortality Table (for preretirement mortality) and the RP-2000 Mortality Table for Annuitants (for postretirement mortality), with mortality improvements projected to all future years after 2000 using Scale BB.
 - *General Employees' Plan* – For males, the base mortality rates include a 50% blue collar adjustment and a 50% white collar adjustment and for females, the base mortality rates include a 100% white collar adjustment.
 - *Police Officers' Plan* - For males, the base mortality rates include a 90% blue collar adjustment and a 10% white collar adjustment and for females, the base mortality rates include a 100% white collar adjustment.

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

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

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

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

Reporting date	9/30/2019	9/30/2018
Measurement date	9/30/2018	9/30/2017
Total OPEB Liability		
Service cost	\$ 39,404	\$ 41,222
Interest	16,906	14,667
Changes in assumptions	(18,238)	(21,261)
Benefit payments	(23,456)	(22,404)
Net change in total OPEB Liability	14,616	12,224
Total OPEB Liability - beginning	455,339	443,115
Total OPEB Liability - ending	<u>\$ 469,955</u>	<u>\$ 455,339</u>
Covered-employee payroll	\$ 6,647,363	\$ 6,272,956
Total OPEB liability as a percentage of covered-employee payroll	7.07%	7.26%

Notes to Schedule:

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

Changes in Assumptions:

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

<u>Measurement Date</u>	<u>Discount Rate</u>
September 30, 2018	3.83%
September 30, 2017	3.50%
September 30, 2016	3.10%

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

SUPPLEMENTARY INFORMATION

**CITY OF ATLANTIC BEACH, FLORIDA
 COMBINING BALANCE SHEET – NON-MAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2019
 WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	2019					
	Special Revenue Funds					
	Tree Replacement	Local Option Gas Tax	Convention Development Tax	Half-Cent Sales Tax	Court Cost Training	Radio Communication
ASSETS						
Equity in pooled cash and investments	\$ 81,090	\$ 172,605	\$ 314,856	\$ 1,122,941	\$ 40,070	\$ 74,093
Cash with fiscal agent	-	-	-	-	-	-
Receivables, net						
Customer accounts, net	-	-	-	-	-	-
Intergovernmental and other	-	83,037	-	156,191	-	-
TOTAL ASSETS	\$ 81,090	\$ 255,642	\$ 314,856	\$ 1,279,132	\$ 40,070	\$ 74,093
LIABILITIES						
Accounts payable and accrued liabilities	3,150	21,301	6,473	181,369	-	-
Construction costs payable	-	-	-	13,532	-	-
Due to other funds	-	-	-	-	-	-
Deposits	-	-	-	-	-	-
TOTAL LIABILITIES	3,150	21,301	6,473	194,901	-	-
FUND BALANCE						
Restricted for:						
Public safety	-	-	-	-	40,070	74,093
Road maintenance and construction	-	234,341	-	1,084,231	-	-
Other capital projects	-	-	-	-	-	-
Debt service	-	-	-	-	-	-
Other purposes	-	-	308,383	-	-	-
Committed to:						
Conservation and resource management	77,940	-	-	-	-	-
Unassigned	-	-	-	-	-	-
TOTAL FUND BALANCES	77,940	234,341	308,383	1,084,231	40,070	74,093
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	\$ 81,090	\$ 255,642	\$ 314,856	\$ 1,279,132	\$ 40,070	\$ 74,093

2019								
Special Revenue Funds								
Contraband Revenue	Community Development Block Grants	Police Grants	Total Special Revenue Funds	Debt Service	Capital Projects	Totals Non-Major Governmental Funds	2018 Totals	
\$ 7,356	\$ 118,760	\$ 10,273	\$ 1,942,044	\$ -	\$ 370,233	\$ 2,312,277	\$ 1,996,467	
-	-	-	-	94,850	-	94,850	-	
-	-	-	-	-	115,512	115,512	-	
-	100	-	239,328	-	-	239,328	313,079	
<u>\$ 7,356</u>	<u>\$ 118,860</u>	<u>\$ 10,273</u>	<u>\$ 2,181,372</u>	<u>\$ 94,850</u>	<u>\$ 485,745</u>	<u>\$ 2,761,967</u>	<u>\$ 2,309,546</u>	
4,995	-	(3)	217,285	-	500	217,785	-	
-	3,134	-	16,666	-	-	16,666	16,346	
-	116,546	8,083	124,629	114,700	44,067	283,396	200,795	
2,766	-	-	2,766	-	-	2,766	1,766	
<u>7,761</u>	<u>119,680</u>	<u>8,080</u>	<u>361,346</u>	<u>114,700</u>	<u>44,567</u>	<u>520,613</u>	<u>218,907</u>	
-	-	2,193	116,356	-	183,489	299,845	141,524	
-	-	-	1,318,572	-	-	1,318,572	1,162,321	
-	-	-	-	-	257,689	257,689	443,666	
-	-	-	-	-	-	-	-	
-	-	-	308,383	-	-	308,383	257,310	
-	-	-	77,940	-	-	77,940	86,638	
(405)	(820)	-	(1,225)	(19,850)	-	(21,075)	(820)	
<u>(405)</u>	<u>(820)</u>	<u>2,193</u>	<u>1,820,026</u>	<u>(19,850)</u>	<u>441,178</u>	<u>2,241,354</u>	<u>2,090,639</u>	
<u>\$ 7,356</u>	<u>\$ 118,860</u>	<u>\$ 10,273</u>	<u>\$ 2,181,372</u>	<u>\$ 94,850</u>	<u>\$ 485,745</u>	<u>\$ 2,761,967</u>	<u>\$ 2,309,546</u>	

CITY OF ATLANTIC BEACH, FLORIDA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2018

	2019					
	Special Revenue Funds					
	Tree Replacement	Local Option Gas Tax	Convention Development Tax	Half-Cent Sales Tax	Court Cost Training	Radio Communication
REVENUES:						
Non-property taxes	\$ -	\$ 486,678	\$ 120,622	\$ 924,384	\$ -	\$ -
Intergovernmental revenue	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	3,596	18,656
Investment earnings (loss)	-	18,458	7,313	27,974	(585)	1,640
Miscellaneous revenues	14,821	-	-	-	-	-
Total revenues	<u>14,821</u>	<u>505,136</u>	<u>127,935</u>	<u>952,358</u>	<u>3,011</u>	<u>20,296</u>
EXPENDITURES:						
General government	23,519	-	-	-	-	-
Public safety	-	-	-	-	23,478	-
Transportation	-	213,010	17,838	39,986	-	-
Culture/recreation	-	-	368	-	-	-
Capital outlay	-	-	58,656	613,247	-	-
Debt service	-	-	-	-	-	-
Total expenditures	<u>23,519</u>	<u>213,010</u>	<u>76,862</u>	<u>653,233</u>	<u>23,478</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(8,698)</u>	<u>292,126</u>	<u>51,073</u>	<u>299,125</u>	<u>(20,467)</u>	<u>20,296</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	-	-
Transfers (out)	-	(235,000)	-	(200,000)	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>(235,000)</u>	<u>-</u>	<u>(200,000)</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>(8,698)</u>	<u>57,126</u>	<u>51,073</u>	<u>99,125</u>	<u>(20,467)</u>	<u>20,296</u>
FUND BALANCE, beginning of year	<u>86,638</u>	<u>177,215</u>	<u>257,310</u>	<u>985,106</u>	<u>60,537</u>	<u>53,797</u>
FUND BALANCE, end of year	<u>\$ 77,940</u>	<u>\$ 234,341</u>	<u>\$ 308,383</u>	<u>\$ 1,084,231</u>	<u>\$ 40,070</u>	<u>\$ 74,093</u>

2019

Special Revenue Funds							
Contraband Revenue	Community Development Block Grants	Police Grants	Total Special Revenue Funds	Debt Service	Capital Projects	Totals Non-Major Governmental Funds	2018 Totals
\$ -	\$ -	\$ -	\$ 1,531,684	\$ -	\$ -	\$ 1,531,684	\$ 1,514,459
-	-	-	-	-	-	-	42,000
-	-	-	22,252	-	-	22,252	33,585
(518)	-	-	54,282	-	2,012	56,294	(1,102)
-	-	-	14,821	-	-	14,821	52,977
(518)	-	-	1,623,039	-	2,012	1,625,051	1,641,919
-	-	-	23,519	-	-	23,519	-
-	-	-	23,478	-	3,000	26,478	96,134
-	-	-	270,834	-	-	270,834	386,854
-	-	-	368	-	-	368	31,799
24,884	-	-	696,787	-	1,500	698,287	513,973
-	-	-	-	19,850	-	19,850	-
24,884	-	-	1,014,986	19,850	4,500	1,039,336	1,028,760
(25,402)	-	-	608,053	(19,850)	(2,488)	585,715	613,159
-	-	-	-	-	-	-	303,000
-	-	-	(435,000)	-	-	(435,000)	(517,300)
-	-	-	(435,000)	-	-	(435,000)	(214,300)
(25,402)	-	-	173,053	(19,850)	(2,488)	150,715	398,859
24,997	(820)	2,193	1,646,973	-	443,666	2,090,639	1,691,780
\$ (405)	\$ (820)	\$ 2,193	\$ 1,820,026	\$ (19,850)	\$ 441,178	\$ 2,241,354	\$ 2,090,639

CITY OF ATLANTIC BEACH, FLORIDA
HISTORICAL REVENUES AND EXPENSES
FOR THE YEARS ENDED SEPTEMBER 30, 2015, THROUGH SEPTEMBER 30, 2019

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Revenues					
Operating Revenues:					
Water:					
Customer charges	\$ 3,462,039	\$ 3,206,520	\$ 3,262,314	\$ 3,177,331	\$ 2,992,677
Miscellaneous charges	67,291	64,563	65,198	62,477	62,286
Total water	<u>3,529,330</u>	<u>3,271,083</u>	<u>3,327,512</u>	<u>3,239,808</u>	<u>3,054,963</u>
Sewer:					
Customer charges	5,399,935	5,092,613	5,111,353	5,045,673	4,934,151
Miscellaneous charges	-	-	590	-	107
Total sewer	<u>5,399,935</u>	<u>5,092,613</u>	<u>5,111,943</u>	<u>5,045,673</u>	<u>4,934,258</u>
Total operating revenues	<u>8,929,265</u>	<u>8,363,696</u>	<u>8,439,455</u>	<u>8,285,481</u>	<u>7,989,221</u>
Non-operating revenues					
Investment income (loss):					
Water	163,209	(7,606)	21,455	58,092	(7,718)
Sewer	115,389	(8,249)	17,281	38,929	(4,257)
Total non-operating revenues	<u>278,598</u>	<u>(15,855)</u>	<u>38,736</u>	<u>97,021</u>	<u>(11,975)</u>
Total revenues	<u>9,207,863</u>	<u>8,347,841</u>	<u>8,478,191</u>	<u>8,382,502</u>	<u>7,977,246</u>
Expenses					
Operating expenses:					
Water	1,299,974	1,348,985	1,488,854	1,379,495	1,442,578
Sewer	2,387,924	2,393,828	2,309,637	2,064,614	2,055,780
Total operating expenses	<u>3,687,898</u>	<u>3,742,813</u>	<u>3,798,491</u>	<u>3,444,109</u>	<u>3,498,358</u>
Administrative, non divisional and other					
Water	508,655	508,655	502,058	561,069	563,356
Sewer	624,796	624,796	591,161	725,248	734,839
Total administrative non-divisional and other	<u>1,133,451</u>	<u>1,133,451</u>	<u>1,093,219</u>	<u>1,286,317</u>	<u>1,298,195</u>
Total expenses	<u>4,821,349</u>	<u>4,876,264</u>	<u>4,891,710</u>	<u>4,730,426</u>	<u>4,796,553</u>
Net revenues available for debt service	<u>4,386,514</u>	<u>3,471,577</u>	<u>3,586,481</u>	<u>3,652,076</u>	<u>3,180,693</u>
Non-operating income(expense)					
Interest expense	(381,546)	(404,297)	(455,259)	(481,693)	(556,635)
Loan amortization	(93,910)	(93,910)	(93,910)	(93,910)	(98,507)
Total non-operating income (expense)	<u>(475,456)</u>	<u>(498,207)</u>	<u>(549,169)</u>	<u>(575,603)</u>	<u>(655,142)</u>
Change in net position before depreciation expense and interfund transfers	<u>\$ 3,911,058</u>	<u>\$ 2,973,370</u>	<u>\$ 3,037,312</u>	<u>\$ 3,076,473</u>	<u>\$ 2,525,551</u>

CITY OF ATLANTIC BEACH, FLORIDA
SCHEDULES OF NET REVENUES IN ACCORDANCE WITH BOND RESOLUTIONS – ENTERPRISE FUNDS (WATER AND SEWER)
FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND SEPTEMBER 30, 2018

	<u>2019</u>	<u>2018</u>
Gross revenues:		
Utility	\$ 8,929,265	\$ 8,302,234
Connection charges	44,018	61,460
Interest	328,612	(15,856)
Total Gross Revenues	<u>9,301,895</u>	<u>8,347,838</u>
Operating Expenses		
Personnel services	1,794,213	2,056,311
Contractual services	643,360	604,079
Supplies	474,547	398,803
Repairs and maintenance	188,756	159,229
Utilities	352,529	348,357
Intergovernmental charges	1,133,451	1,133,451
Other expenses	234,493	146,239
Total operating expenses	<u>4,821,349</u>	<u>4,846,469</u>
Total net revenues in accordance with Bond resolutions	<u>\$ 4,480,546</u>	<u>\$ 3,501,369</u>
Total debt service	<u>\$ 1,856,755</u>	<u>\$ 1,999,898</u>
Debt service coverage ratio	<u>241.31%</u>	<u>175.08%</u>
Required debt service coverage ratio	<u>110.00%</u>	<u>110.00%</u>

**CITY OF ATLANTIC BEACH, FLORIDA
 OTHER BOND COVENANT DISCLOSURES
 FOR THE YEAR ENDED SEPTEMBER 30, 2015, THROUGH SEPTEMBER 30, 2019**

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

Year	Electricity	Communications	Gas	Fuel Oil	Total
2019	\$ 587,563	\$ 484,505	\$ 12,518	\$ -	\$ 1,084,586
2018	498,379	497,133	16,262	-	1,011,774
2017	475,895	479,551	15,229	-	970,675
2016	483,516	500,295	17,881	6	1,001,698
2015	476,997	526,996	15,555	7	1,019,555

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

Year	Total
2019	\$ 5,519,446
2018	5,063,409
2017	4,730,476
2016	4,482,739
2015	4,113,476

OTHER STATISTICAL INFORMATION

**CITY OF ATLANTIC BEACH, FLORIDA
MAJOR UTILITY CUSTOMERS
FOR THE YEAR ENDED SEPTEMBER 30, 2019
(UNAUDITED)**

	Annual Billings
Fleet Landing (retirement community)	\$ 381,284
Navy (Federal Government)	251,496
City of Atlantic Beach, Florida	145,132
Hanna Park (regional park)	129,256
John's Creek Estates (mobile home park)	127,020
PAC-2160 Mayport GP, LLC	124,123
PBG MAYPORT LLC	112,620
Sea Turtle Inn	98,085
Oaks of Atlantic Beach (mobile home park)	87,890
Avesta Homes (apartment complex)	69,275
	<u>\$ 1,526,181</u>

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

CITY OF ATLANTIC BEACH, FLORIDA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>CFDA#</u>	<u>Contract/Grant Identification</u>	<u>Federal Award Amount</u>	<u>Federal Expenditures</u>
U.S. Department of Homeland Security				
Indirect Programs passed through:				
Florida Division of Emergency Management (FEMA):				
Disaster Grants - Public Assistance	97.036	Z0433	<u>\$782,319</u>	<u>\$782,319</u>
U.S. Department of Justice				
Indirect Programs passed through:				
Florida Department of Law Enforcement:				
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2019-JAGC-DUVA-3-N2-032	<u>14,427</u>	<u>14,427</u>
U.S. Department of Commerce				
Indirect Programs passed through:				
Florida Department of Environmental Protection:				
Coastal Zone Management Administration	11.419	CM922	<u>30,000</u>	<u>30,000</u>
Total Expenditures of Federal Awards			<u><u>\$ 826,746</u></u>	<u><u>\$ 826,746</u></u>

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS:

Basis of Presentation – The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 220, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards Subpart F*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements of the City.

Basis of Accounting – The schedule of expenditures of federal awards are presented using the same basis of accounting as the fund in which the grant is recorded, generally the accrual or modified accrual basis, as described in Note 1 to the City’s financial statements. The City’s federal awards did not include indirect cost reimbursement and, therefore, the City did not elect to use the 10 percent de minimis cost rate as covered by 2 CFR 200.414.

Contingencies - The grant revenue amounts received are subject to audit and adjustment. If any expenditures or expenses are disallowed by the grantor agencies as a result of such an audit, any claim for reimbursement to the grantor agencies would become a liability of the City. In the opinion of management, all grant expenditures are in compliance with the terms of the grant agreements and applicable federal and state laws and regulations.

U.S. Department of Homeland Security - During the year ended September 30, 2019, FEMA approved \$782,319 of eligible expenditures that were incurred in a prior year and are included in the accompanying schedule of expenditures of federal awards.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

Report on Compliance for Each Major Federal Program

We have audited the City of Atlantic Beach, FL (the City) compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended September 30, 2019. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance 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 for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

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, 2019.

CERTIFIED PUBLIC ACCOUNTANTS

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

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

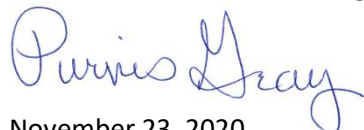
Report on Internal Control over Compliance

Management of the City, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's 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, non-compliance 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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material non-compliance 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.



November 23, 2020
Gainesville, Florida

**CITY OF ATLANTIC BEACH, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS -
FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

Summary of Auditor's Results

Financial Statements

1. The independent auditor's report expresses an unmodified opinion on the financial statements of the City of Atlantic Beach, Florida (the City).
2. The audit did report a material weakness 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*. The finding is detailed in the accompanying Independent Auditor's Report on Financial Reporting and Compliance as finding 15-1.
3. There were no instances of non-compliance identified during the audit of the financial statements reported in the 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*.

Federal Awards

4. The audit did report any significant deficiencies or material weaknesses in internal control over major federal programs that are required to be reported in the schedule of findings and questioned costs.
5. The report on compliance for the major federal programs expresses an unmodified opinion.
6. The audit disclosed findings as noted above that are required to be reported in accordance with the *Uniform Guidance*.
7. The programs tested as major federal program included:

Federal Programs	<u>CFDA No.</u>
Disaster Grant – Public Assistance - FEMA	97.036

8. The threshold for distinguishing Type A and B programs was \$750,000 for federal programs.
9. The City did not qualify as a low risk auditee for federal grant programs.

Financial Statement Findings

Financial statement findings, if any, are reported in the Independent Auditor's Report on Internal Control over Financial Reporting and Compliance.

**CITY OF ATLANTIC BEACH, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS -
FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

Findings and Questioned Costs for Major Federal Programs and State Projects

The audit disclosed no findings for major federal programs and state projects to be reported under the Uniform Guidance and Chapter 10.550, *Rules of the Auditor General*.

Status of Prior Audit Findings

There were no prior year findings required to be reported in accordance with the Uniform Guidance.

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Atlantic Beach, Florida, (the City), as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 23, 2020.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. We consider the following deficiencies in internal control to be material weaknesses:

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

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

15-1 – Financial Close and Reporting

Condition—At the commencement of final fieldwork, it was noted that the preliminary working trial balance did not reflect all of the required closing entries. As a result, several adjustments were required after we began the audit process, including entries to adjust beginning fund balance, accrue unrecorded receivables and liabilities, and reverse prior year accruals.

Effect—The lack of an effective financial close and reporting process increases the risk that material misstatements will not be detected in a timely manner. It also results in delays in performing and completing the audit.

Recommendation—We recommend that the City's finance department evaluates their monthly and yearly financial close and reporting process. In addition, the finance department should perform variance analysis throughout the year over major balance sheet and income statement accounts in order to identify and correct any errors in a timely manner.

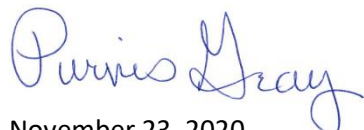
FY19 Update—The City has made significant improvements related to the financial reporting and close process. We noted a significant reduction in the volume and amount of identified audit adjustments. However, we did note several significant adjustments including a reversal of a prior year due from other governments in the amount of \$289,000 and the correction of construction in progress in the amount of \$190,000. We recommend that the City continues to improve their financial reporting and close process in order to meet the June 30 reporting deadline.

Compliance and Other Matters

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

Purpose of this Report

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



November 23, 2020
Gainesville, Florida

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

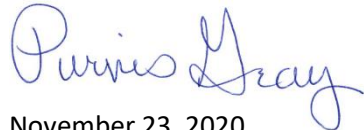
Honorable Mayor, City Commissioners, and
City Manager
City of Atlantic Beach
Atlantic Beach, Florida

We have examined the City of Atlantic Beach, Florida's (the City) compliance with Section 218.415, Florida Statutes during the period ended September 30, 2019, as required by Section 10.556(10)(a), *Rules of the Auditor General*. Management is responsible for the City's compliance with those requirements. Our responsibility is to express an opinion on the City's compliance based on our examination.

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

In our opinion, the City complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2019.

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



November 23, 2020
Gainesville, Florida

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MANAGEMENT LETTER

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

Report on the Financial Statements

We have audited the financial statements of the City of Atlantic Beach, Florida (the City) as of and for the year ended September 30, 2019, and have issued our report thereon dated November 23, 2020.

Auditor's Responsibility

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

Other Reporting Requirements

We have issued our Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*, and Independent Accountant's Report on an examination conducted in accordance with AICPA *Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, *Rules of the Auditor General*. Disclosures in those reports and schedule, which are dated November 23, 2020, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., *Rules of the Auditor General*, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial report. Corrective actions have been taken to address prior audit findings 17-1, 18-1, 18-2, and 18-3. Prior Year uncorrected Findings and Recommendations are reported below:

Tabulation of Uncorrected Audit Findings	
2016-2017 FY Finding #	2015-2016 FY Finding #
17-3	15-1

Official Title and Legal Authority

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

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MANAGEMENT LETTER

Financial Condition and Management

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

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

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

17-3 – Insurance Premium Tax Revenues

Condition—During review of the Police Officers' Retirement Plan, we noted that the fiscal year 2017 insurance premium tax revenues were withheld by the State of Florida for several months due to reporting issues identified by the State of Florida that were not corrected timely. The City contributed additional funds to the Plan during 2017 to cover the contribution shortfall. The reporting issues were corrected during fiscal year 2018 and the City ultimately received the withheld funds.

Recommendation—The timely correction of any reporting errors is important to avoid monies being withheld by the State of Florida and minimize the loss of potential investment earnings.

FY 19 Update—The City did not timely submit all of the required reporting requirements in order for the plan to receive the fiscal year 2019 insurance premium tax revenue. Upon submission of the audit, the City expects to have met the remaining reporting requirements and to receive the payment in fiscal year 2020.

Annual Financial Report

Sections 10.554(1)(i)5.(b.) and 10.556(7), *Rules of the Auditor General*, require that we apply appropriate procedures and report the results of our determination as to whether the annual financial report for the City for the fiscal year ended September 30, 2018, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2019. In connection with our audit, we determined that these two reports were in agreement.

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

MANAGEMENT LETTER

Special District Component Units

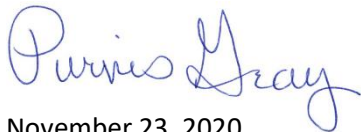
Section 10.554(1)(i)5.(d), *Rules of the Auditor General*, requires that we determine whether or not a special district that is a component unit of a county, municipality, or special district, provided the financial information necessary for proper reporting of the component unit, within the audited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

Other Matters

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

Purpose of this Letter

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



November 23, 2020
Gainesville, Florida



City of Atlantic Beach

800 Seminole Road
Atlantic Beach, Florida 32233-54445
Telephone (904) 247-5800
Fax (904) 247-5819
<http://www.coab.us>

November 16, 2020

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

RE: Responses to the Management Letter

Internal Control Over Financial Reporting

15-1 – Financial Close and Reporting

Condition—At the commencement of final fieldwork it was noted that the preliminary working trial balance did not reflect all of the required closing entries. As a result, several adjustments were required after we began the audit process, including entries to adjust beginning fund balance, accrue unrecorded receivables and liabilities, and reverse prior year accruals.

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Management Response to Comment 15-1 – Financial Close and Reporting

The City continues to make improvements to its financial reporting and close process as well as engaging a consultant to provide assistance. This comment will not be repeated in future reports.

Other Matters

17-3 – Premium Tax Revenues

Condition—During review of the Police Officers’ Retirement Plan, we noted that the fiscal year 2017 insurance premium tax revenues were withheld by the state of Florida for several months due to reporting issues identified by the State of Florida that were not corrected timely. The City contributed additional funds to the Plan during 2017 to cover the contribution shortfall. The reporting issues were corrected during fiscal year 2018 and the City ultimately received the withheld funds.

Recommendation—The timely correction of any reporting errors is important to avoid monies being withheld by the State of Florida and minimize the loss of potential investment earnings.

FY 19 Update – The City did not timely submit all of the required reporting requirements in order for the plan to receive the fiscal year 2019 insurance premium tax revenue. Upon submission of the audit, the City expects to have met the remaining reporting requirements and to receive the payment in fiscal year 2020.

Management Response to Comment 17-3 – Premium Tax Revenues

The City has taken steps necessary to ensure that all reporting requirements by the State of Florida will be met by the reporting deadline.

AFFIDAVIT

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

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

FUTHER AFFIANT SAYETH NAUGHT.

Melissa Burns
 (Chief Finance Officer of the Entity)

STATE OF FLORIDA
COUNTY OF DUVAL

SWORN TO AND SUBSCRIBED before me this 16th day of November, 2020.

Donna L. Bartle
 NOTARY PUBLIC
 Print Name Donna L. Bartle

Personally Known or produced identification _____

Type of identification produced: N/A

My Commission Expires:
May 14, 2021

