

# 2020

City of Neptune Beach, Florida

Financial Statements  
and Independent Auditor's Report

September 30, 2020

**FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITOR'S REPORT**

**CITY OF NEPTUNE BEACH, FLORIDA**

**SEPTEMBER 30, 2020**

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**FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITOR’S REPORT**

**CITY OF NEPTUNE BEACH, FLORIDA**

**SEPTEMBER 30, 2020**

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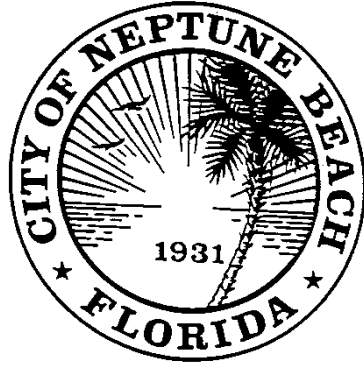
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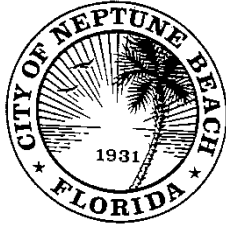
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# Introductory Section

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Annual Financial Report



# City of Neptune Beach, Florida

## Principal Officials

(As of September 30, 2020)

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### **Elected Officials**

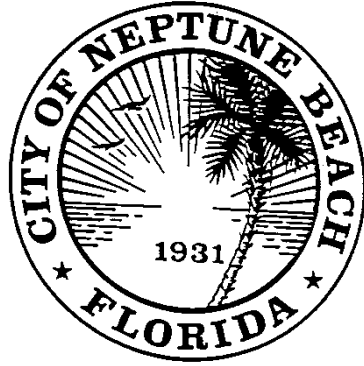
Elaine Brown - Mayor  
Fred Jones - Vice Mayor  
Lauren Key - Councilor  
Josh Messinger - Councilor  
Kerry Chin - Councilor

### **City Council Appointed Officials**

Stefen Wynn - City Manager  
Zachary Roth - City Attorney  
Catherine Ponson - City Clerk

### **Appointed by City Manager/Confirmed by City Council**

Richard J. Pike - Director of Public Safety  
Carl LeFleur – Chief Financial Officer



# Financial Section

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Annual Financial Report

## INDEPENDENT AUDITOR'S REPORT

Honorable Mayor, City Councilors, and City Manager  
City of Neptune Beach, Florida  
Neptune 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 Neptune Beach, Florida, (the City) as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### Management's Responsibilities 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 of 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 entity'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 entity'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.

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

CERTIFIED PUBLIC ACCOUNTANTS

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Honorable Mayor, City Councilors, and City Manager  
City of Neptune Beach, Florida  
Neptune Beach, Florida

## INDEPENDENT AUDITOR'S REPORT

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of September 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Other Matters

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and required supplementary information (RSI) as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the RSI 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 combining and individual non-major fund financial statements, and schedule of expenditures of the City of Jacksonville grant funds per Ordinance Code Chapter 118.205(e), as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual non-major fund financial statements and the schedule of expenditures of the City of Jacksonville grant funds 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 information is fairly stated in all material respects in relation to the basic financial statements as a whole.



Honorable Mayor, City Councilors, and City Manager  
City of Neptune Beach, Florida  
Neptune Beach, Florida

## INDEPENDENT AUDITOR'S REPORT

### **Other Reports Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued a report, dated September 29, 2021, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely 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 the effectiveness of the City's 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.



September 29, 2021  
Gainesville, Florida

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

## **Management's Discussion and Analysis** (Unaudited)

As management of the City of Neptune Beach (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2020.

### ***Financial Highlights***

- The assets and deferred outflows of the City exceeded its liabilities and deferred inflows at the close of fiscal year 2020 by \$22,877,521 (net position). The net position of the City increased by \$1,865,282.
- At September 30, 2020, the City's governmental funds reported combined ending fund balances of \$3,335,641, a decrease of \$172,746 in comparison with the prior year.
- At September 30, 2020, unassigned fund balance for the General Fund was \$1,117,545 or 17.55% of total General Fund expenditures.
- General fund revenues decreased by \$518,277 or 8.61% from the prior fiscal year primarily due to a decrease in intergovernmental revenues related to FEMA reimbursements.
- The City's outstanding notes payable and bonded debt decreased by \$731,036 or 18.14% during fiscal year 2020. This decrease was due to normal debt payments made during the fiscal year.

### ***Overview of the Financial Statements***

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise 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.

### ***Government-Wide Financial Statements***

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

The 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 reported as net position. 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, licenses and permits, and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, public works, and culture and recreation. The business-type activities of the City include water and sewer, sanitation, stormwater, and paid parking. The government-wide financial statements can be found on pages 12 - 13 of this report.

## Management's Discussion and Analysis

### ***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 divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

### ***Governmental Funds***

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. 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. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains twelve individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and the better Jacksonville half-cent tax fund, which are considered to be major funds. Data from the other ten governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for all funds. Budgetary comparison schedules have been provided for all governmental funds to demonstrate compliance with budget.

### ***Proprietary Funds***

The City maintains four proprietary or enterprise funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements.

The City uses enterprise funds to account for its water and sewer fund, the sanitation fund, stormwater fund, and the paid parking fund.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and sewer fund, the sanitation fund, and the stormwater fund, which are considered major funds of the City. The paid parking fund is reported as a non-major fund. The basic proprietary fund financial statements can be found on pages 18 - 20 of this report.

### ***Fiduciary Funds***

Fiduciary funds are used to account for resources held for the benefit of parties outside the City (e.g., 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 financial statements can be found on pages 22 - 23 of this report.

## Management's Discussion and Analysis

### Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 24 - 50 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 the Police Officers pension benefits and other post-employment benefits. Required supplementary information can be found on pages 51-59 of this report.

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information on the pension. Combining and individual fund statements and schedules can be found on pages 60-73 of this report.

### Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows by \$22,877,521 at the close of the fiscal year ended September 30, 2020.

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
	Current and Other Assets	\$ 3,747	\$ 3,915	\$ 4,692	\$ 3,341	\$ 8,439
Capital Assets	4,827	4,899	15,664	15,759	20,491	20,658
<b>Total Assets</b>	<b>8,574</b>	<b>8,814</b>	<b>20,356</b>	<b>19,100</b>	<b>28,930</b>	<b>27,914</b>
Deferred Outflows	820	729	19	20	840	749
Long-Term Liabilities Outstanding	1,560	1,547	3,037	3,837	4,597	5,384
Other Liabilities	691	662	1,524	1,445	2,215	2,107
<b>Total Liabilities</b>	<b>2,251</b>	<b>2,209</b>	<b>4,561</b>	<b>5,282</b>	<b>6,812</b>	<b>7,491</b>
Deferred Inflows	71	151	8	10	79	161
Net Position						
Net Invested in Capital Assets	4,828	4,899	12,333	11,658	17,161	16,557
Restricted	1,428	1,020	1,299	386	2,727	1,406
Unrestricted	816	1,264	2,174	1,784	2,990	3,048
<b>Total Net Position</b>	<b>\$ 7,072</b>	<b>\$ 7,183</b>	<b>\$ 15,806</b>	<b>\$ 13,828</b>	<b>\$ 22,878</b>	<b>\$ 21,011</b>

The largest portion of the City's net position \$17,160,216 (75.01%) reflects its investment in capital assets (e.g., land, buildings, and equipment); 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 its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

## Management's Discussion and Analysis

A portion of the City's net position, \$2,727,057 (11.9%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of the net position, \$2,290,248 (13%) represents unrestricted net position. At the end of the current fiscal year, the City is able to report positive balances in total net position, both for the government as a whole, as well as for its separate governmental and business-type activities. The 2020 governmental activities unrestricted net position balance decreased \$477,433 compared to the prior year.

Following is a summary of activities for the City during the fiscal years ended September 30, 2020 and 2019:

### City of Neptune Beach's Change in Net Position (In Thousands)

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
<b>Revenues</b>						
Program Revenues:						
Charges for Services	\$ 458	\$ 429	\$ 7,704	\$ 6,698	\$ 8,162	\$ 7,127
Operating Grants and Contributions	825	1,248	-	-	825	1,248
Capital Grants and Contributions	36	36	-	156	36	192
General Revenues:						
Property Taxes	2,971	2,846	-	-	2,971	2,846
Sales and Use Taxes	758	803	-	-	758	803
Franchises and Utility Taxes	606	621	-	-	606	621
Discretionary Sales Surtax	505	516	-	-	505	516
State Revenue Sharing	190	206	-	-	190	206
Interest Revenue	16	50	40	49	56	99
Miscellaneous	254	278	-	-	254	278
<b>Total Revenues</b>	<u>6,619</u>	<u>7,033</u>	<u>7,744</u>	<u>6,903</u>	<u>14,363</u>	<u>13,936</u>
<b>Expenses</b>						
General Government	1,649	1,139	-	-	1,649	1,139
Public Safety	3,671	3,383	-	-	3,671	3,383
Public Works	1,150	1,064	-	-	1,150	1,064
Culture and Recreation	500	497	-	-	500	497
Water and Sewer	-	-	3,460	3,406	3,460	3,406
Sanitation	-	-	1,433	1,454	1,433	1,454
Stormwater	-	-	315	342	315	342
Paid Parking	-	-	319	25	319	25
<b>Total Expenses</b>	<u>6,970</u>	<u>6,083</u>	<u>5,527</u>	<u>5,227</u>	<u>12,497</u>	<u>11,310</u>
<b>Net Increase (Decrease) in Net Position Before Transfers</b>	(351)	950	2,217	1,676	1,866	2,626
<b>Transfers</b>	<u>240</u>	<u>95</u>	<u>(240)</u>	<u>(95)</u>	<u>-</u>	<u>-</u>
<b>Increase (Decrease) in Net Position</b>	(111)	1,045	1,977	1,581	1,866	2,626
<b>Net Position - Beginning</b>	<u>7,183</u>	<u>6,138</u>	<u>13,829</u>	<u>12,247</u>	<u>21,012</u>	<u>18,385</u>
<b>Net Position - Ending</b>	<u>\$ 7,072</u>	<u>\$ 7,183</u>	<u>\$ 15,806</u>	<u>\$ 13,828</u>	<u>\$ 22,878</u>	<u>\$ 21,011</u>

## Management's Discussion and Analysis

### ***Governmental Activities***

Governmental activities decreased the City's net position by \$111,573 accounting for a 1.55% decrease in governmental net position.

### ***Business-Type Activities***

Business-type activities increased the City's net position by \$1,976,855, accounting for a 14.3% increase in business-type activities net position.

### ***Overall Financial Position***

The overall financial position of the City has improved by \$1,865,282 thereby accounting for a total increase in net position of 8.9%. This was attributable to the explanations given above for the governmental and business-type activities.

### ***Financial Analysis of the City's Funds***

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

### ***Governmental Funds***

The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable resources*. Such information is useful in assessing the City's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. At the end of fiscal year 2020, the City's governmental funds reported combined ending fund balances of \$3,335,641 a decrease of \$172,746 in comparison with the prior year.

The general fund is the chief operating fund of the City. At the end of fiscal year 2020, unassigned fund balance of the general fund was \$1,117,545. Unassigned fund balance represents 17.1% of the total general fund expenditures and transfers out. The fund balance of the City's general fund decreased by \$711,470 during the current fiscal year.

A special revenue fund is used to account for the City's share of revenue obtained from the Better Jacksonville Half-cent Sales Surtax. The net increase in fund balance during the current year for this fund was \$383,600.

Non-major governmental funds consisting of special revenue funds have a combined fund balance of \$456,019. The net increase in fund balance during the current year in non-major governmental funds was \$155,124.

### ***Proprietary Funds***

The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net position in the proprietary funds at the end of the year amounted to \$2,173,788.

## Management's Discussion and Analysis

### Capital Asset and Debt Administration

#### Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of September 30, 2020, amounts to \$20,491,578 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements other than buildings, equipment, and construction in progress. The total decrease in the City's investment in capital assets for the current fiscal year was .81%.

#### City of Neptune Beach's Capital Assets (Net of Depreciation) (In Thousands)

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Capital Assets not Being Depreciated, Land, and Construction in Progress	\$ 176	\$ 138	\$ 296	\$ 165	\$ 472	\$ 303
Buildings and Other Improvements	4,216	4,406	14,133	14,262	18,349	18,668
Equipment	435	355	1,235	1,332	1,670	1,687
<b>Total</b>	<b>\$ 4,827</b>	<b>\$ 4,899</b>	<b>\$ 15,664</b>	<b>\$ 15,759</b>	<b>\$ 20,491</b>	<b>\$ 20,658</b>

Additional information on the City of Neptune Beach's capital assets can be found in Note 5 on pages 37-38 of this report.

#### Long-Term Debt

At the end of fiscal year 2020, the City had total bonded debt outstanding of \$3,298,101. The City's debt represents bonds, Florida Department of Environmental Protection loans, and Bank loans secured solely by specified revenue sources (i.e., revenue bonds).

#### City of Neptune Beach's Outstanding Debt General Obligation, Revenue Bonds, and SRF Loans (In Thousands)

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revenue Bonds	\$ -	\$ -	\$ 95	\$ 190	\$ 95	\$ 190
Sewer Line Loan	-	-	2,360	2,615	2,360	2,615
State Revolving Fund Loans	-	-	843	1,224	843	1,224
<b>Total</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 3,298</b>	<b>\$ 4,029</b>	<b>\$ 3,298</b>	<b>\$ 4,029</b>



## Management's Discussion and Analysis

The City's total debt decreased by \$731,036 (18.1%) during the current fiscal year. This decrease was due to normal debt payments made during the fiscal year.

Under Florida Statutes, no debt limit margin is placed on local governments.

Additional information on the City's long-term debt can be found in Note 6 on pages 38 - 41 of this report.

### ***Economic Factors and Next Year's Budgets and Rates***

The State of Florida, by constitution, does not have a state personal income tax and, therefore, the State operates primarily using sales, gasoline, and corporate income taxes. Local governments (cities, counties, and school boards) primarily rely on property and a limited array of permitted other taxes (sales, gasoline, utilities services, etc.) and fees (franchise, occupational license, etc.) for their governmental activities. There are a limited number of state-shared revenues and recurring and non-recurring (one time) grants from both state and federal governments.

#### ***Other Economic Factors:***

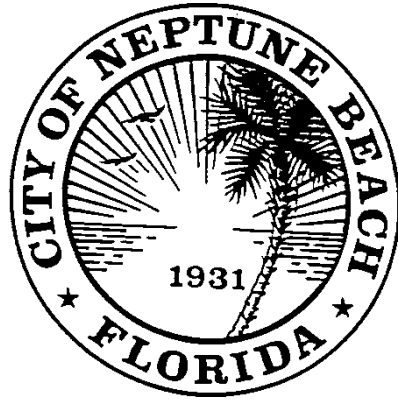
- The unemployment rate for the municipal service area increased in FY 2020 by 6.09%. This compares favorably with the state's average unemployment rate and the national average unemployment rate.
- Inflationary trends in the region compare favorably to national indices.

#### ***Budget Highlights:***

- The City adopted the ad valorem tax rate of 3.3656 mills for its millage rate this budget year. The prior year rate was 3.3656 mills.

#### ***Requests for Information***

This financial report is designed to provide a general overview of the City of Neptune Beach'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 Neptune Beach, Finance Department Director, 116 First Street, Neptune Beach, Florida 32266.



# Basic Financial Statements

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Annual Financial Report

**STATEMENT OF NET POSITION**  
**SEPTEMBER 30, 2020**  
**CITY OF NEPTUNE BEACH, FLORIDA**

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$ 3,012,260	\$ 3,481,545	\$ 6,493,805
Equity in Pooled Investments	140,589	-	140,589
Accounts Receivable	-	552,724	552,724
Due from Other Governments	431,220	-	431,220
Internal Balances	162,000	(162,000)	-
Prepaid Expenses	382	-	382
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	-	819,288	819,288
Capital Assets:			
Land	37,861	-	37,861
Construction in Progress	138,546	295,992	434,538
Buildings	4,988,551	3,353,088	8,341,639
Improvements Other than Buildings	3,380,475	24,067,645	27,448,120
Equipment	3,223,645	5,445,958	8,669,603
(Accumulated Depreciation)	(6,941,604)	(17,498,579)	(24,440,183)
<b>Total Assets</b>	<b>8,573,925</b>	<b>20,355,661</b>	<b>28,929,586</b>
<b>Deferred Outflows of Resources</b>			
Pension Related	775,740	-	775,740
OPEB Related	44,414	19,464	63,878
<b>Total Deferred Outflows of Resources</b>	<b>820,154</b>	<b>19,464</b>	<b>839,618</b>
<b>Liabilities</b>			
Accounts Payable and Accrued Liabilities	306,713	331,960	638,673
Unearned Revenue	68,271	1,749	70,020
Deposits	23,833	-	23,833
Due to Other Governments	11,993	-	11,993
Compensated Absences - Current	279,849	69,080	348,929
Payable from Restricted Assets:			
Deposits	-	269,312	269,312
Accrued Interest Payable	-	14,498	14,498
Current Portion of Leases Payable	-	84,916	84,916
Current Portion of Bonds Payable	-	95,000	95,000
Current Portion of Loans Payable	-	657,807	657,807
Non-Current Liabilities:			
Compensated Absences - Non-Current	138,880	88,906	227,786
Leases Payable Long-Term	-	127,333	127,333
Loans Payable Long-Term	-	2,545,294	2,545,294
OPEB Liability	628,687	275,538	904,225
Net Pension Liability	792,777	-	792,777
<b>Total Liabilities</b>	<b>2,251,003</b>	<b>4,561,393</b>	<b>6,812,396</b>
<b>Deferred Inflows of Resources</b>			
Pension Related	53,083	-	53,083
OPEB Related	18,218	7,986	26,204
<b>Total Deferred Inflows of Resources</b>	<b>71,301</b>	<b>7,986</b>	<b>79,287</b>
<b>Net Position</b>			
Net Investment in Capital Assets	4,827,474	12,332,742	17,160,216
Restricted for:			
Capital Projects	1,310,159	-	1,310,159
Debt Service	-	270,912	270,912
Renewal and Replacement	-	100,076	100,076
Other Purposes	117,682	928,228	1,045,910
Unrestricted	816,460	2,173,788	2,990,248
<b>Total Net Position</b>	<b>\$ 7,071,775</b>	<b>\$ 15,805,746</b>	<b>\$ 22,877,521</b>

See accompanying notes.



**BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2020  
CITY OF NEPTUNE BEACH, FLORIDA**

	<u>General Fund</u>	<u>Better Jacksonville Half-Cent Tax Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$ 1,696,406	\$ 872,627	\$ 443,227	\$ 3,012,260
Equity in Pooled Investments	140,589	-	-	140,589
Due from Other Governments	337,587	51,175	42,458	431,220
Due from Other Funds	-	162,000	-	162,000
Prepaid Expense	382	-	-	382
<b>Total Assets</b>	<u>2,174,964</u>	<u>1,085,802</u>	<u>485,685</u>	<u>3,746,451</u>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts Payable and Accrued Liabilities	277,047	-	29,666	306,713
Due to Other Governments	11,993	-	-	11,993
Unearned Revenue	68,271	-	-	68,271
Deposits	23,833	-	-	23,833
<b>Total Liabilities</b>	<u>381,144</u>	<u>-</u>	<u>29,666</u>	<u>410,810</u>
<b>Fund Balances</b>				
Non-Spendable:				
Prepays	382	-	-	382
Restricted for:				
Public Safety	-	-	19,168	19,168
Capital Outlay	-	1,085,802	224,357	1,310,159
Other	-	-	98,514	98,514
Assigned:				
Community Development	-	-	113,980	113,980
Subsequent Year's Budget	675,893	-	-	675,893
Unassigned	1,117,545	-	-	1,117,545
<b>Total Fund Balances</b>	<u>1,793,820</u>	<u>1,085,802</u>	<u>456,019</u>	<u>3,335,641</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 2,174,964</u>	<u>\$ 1,085,802</u>	<u>\$ 485,685</u>	<u>\$ 3,746,451</u>

See accompanying notes.

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
SEPTEMBER 30, 2020  
CITY OF NEPTUNE BEACH, FLORIDA**

<b>Fund Balances - Total Governmental Funds</b>	\$	3,335,641
 <b>Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:</b>		
 Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet:		
Capital Assets - Net		4,827,474
 Certain pension and OPEB related amounts are being deferred and amortized over a period of years or are being deferred as contributions to the pension or OPEB plan made after the measurement date:		
Deferred Outflows Related to OPEB		44,414
Deferred Inflows Related to OPEB		(18,218)
Deferred Outflows Related to Pension		775,740
Deferred Inflows Related to Pension		(53,083)
 Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:		
Net Pension Liability		(792,777)
Postemployment Benefit Obligation		(628,687)
Compensated Absences		(418,729)
		(1,840,193)
<b>Net Position of Governmental Activities</b>	<b>\$</b>	<b><u>7,071,775</u></b>

See accompanying notes.

**STATEMENTS OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2020  
CITY OF NEPTUNE BEACH, FLORIDA**

	<b>General Fund</b>	<b>Better Jacksonville Half-Cent Tax Fund</b>	<b>Non-Major Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Revenues</b>				
Taxes	\$ 3,577,221	\$ 505,062	\$ 286,967	\$ 4,369,250
Charges for Services	15,026	-	32,721	47,747
Licenses and Permits	234,325	-	-	234,325
Intergovernmental	1,443,350	-	87,686	1,531,036
Fines and Forfeitures	45,512	-	13,060	58,572
Investment Income	15,460	7,362	1,428	24,250
Miscellaneous	166,753	-	160,986	327,739
<b>Total Revenues</b>	<u>5,497,647</u>	<u>512,424</u>	<u>582,848</u>	<u>6,592,919</u>
<b>Expenditures</b>				
Current:				
General Government	1,447,179	-	-	1,447,179
Public Safety	3,714,226	-	1,544	3,715,770
Public Works	680,157	-	340,722	1,020,879
Culture and Recreation	260,740	-	155,647	416,387
Capital Outlay	266,614	-	138,836	405,450
<b>(Total Expenditures)</b>	<u>(6,368,916)</u>	<u>-</u>	<u>(636,749)</u>	<u>(7,005,665)</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>(871,269)</u>	<u>512,424</u>	<u>(53,901)</u>	<u>(412,746)</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in	250,000	-	255,855	505,855
Transfers (out)	(90,201)	(128,824)	(46,830)	(265,855)
<b>Total Other Financing Sources (Uses)</b>	<u>159,799</u>	<u>(128,824)</u>	<u>209,025</u>	<u>240,000</u>
<b>Net Changes in Fund Balances</b>	(711,470)	383,600	155,124	(172,746)
<b>Fund Balances, Beginning of Year</b>	<u>2,505,290</u>	<u>702,202</u>	<u>300,895</u>	<u>3,508,387</u>
<b>Fund Balances, End of Year</b>	<u>\$ 1,793,820</u>	<u>\$ 1,085,802</u>	<u>\$ 456,019</u>	<u>\$ 3,335,641</u>

See accompanying notes.

**RECONCILIATION OF THE STATEMENTS OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO  
THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2020  
CITY OF NEPTUNE BEACH, FLORIDA**

**Net Change in Fund Balances - Total Governmental Funds** \$ (172,746)

**Amounts Reported for Governmental Activities in the Statement of  
Activities are Different Because:**

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is depreciated over their estimated useful lives as depreciation expense:

Expenditures for Capital Assets	\$	308,131	
Gain/(Loss) on Disposal		23,453	
(Current Year Depreciation)		<u>(403,759)</u>	(72,175)

The changes in net pension liability and pension related deferred outflows and inflows of resources result in an adjustment to pension expense in the Statement of Activities, but not in the governmental fund statements. 215,148

The changes in net OPEB obligation and OPEB related deferred outflows and inflows of resources result in an adjustment to OPEB expense in the Statement of Activities, but not in the governmental fund statements. (27,791)

Some expenses reported in the Statement of Activities do not require use of current financial resources and, therefore, are not reported as expenditures in the funds:

Change in Compensated Absences Payable			<u>(54,009)</u>
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**Change in Net Position of Governmental Activities** \$ (111,573)

See accompanying notes.



**STATEMENT OF NET POSITION  
 PROPRIETARY FUNDS  
 SEPTEMBER 30, 2020  
 CITY OF NEPTUNE BEACH, FLORIDA**

	Business-Type Activities - Enterprise Funds				Total
	Major Fund Water and Sewer	Major Fund Sanitation	Major Fund Stormwater Utility	Non-Major Paid Parking	
<b>Assets</b>					
Current Assets:					
Equity in Pooled Cash and Cash					
Equivalents	\$ 2,447,655	\$ -	\$ 977,536	\$ 56,354	\$ 3,481,545
Accounts Receivable, Net of Allowance	432,939	106,782	11,915	1,088	552,724
Due from Other Funds	39,551	-	-	-	39,551
<b>Total Current Assets</b>	<b>2,920,145</b>	<b>106,782</b>	<b>989,451</b>	<b>57,442</b>	<b>4,073,820</b>
Non-Current Assets:					
Equity in Pooled Restricted Cash					
and Cash Equivalents	819,288	-	-	-	819,288
Capital Assets:					
Buildings	3,353,088	-	-	-	3,353,088
Improvements Other than Buildings	23,909,420	-	158,225	-	24,067,645
Equipment	4,218,577	301,456	757,659	168,266	5,445,958
Construction in Progress	68,887	-	227,105	-	295,992
(Less Accumulated Depreciation)	(16,595,737)	(301,456)	(585,301)	(16,085)	(17,498,579)
<b>Total Capital Assets</b>	<b>14,954,235</b>	<b>-</b>	<b>557,688</b>	<b>152,181</b>	<b>15,664,104</b>
<b>Total Non-Current Assets</b>	<b>15,773,523</b>	<b>-</b>	<b>557,688</b>	<b>152,181</b>	<b>16,483,392</b>
<b>Total Assets</b>	<b>18,693,668</b>	<b>106,782</b>	<b>1,547,139</b>	<b>209,623</b>	<b>20,557,212</b>
<b>Deferred Outflows of Resources</b>					
OPEB Related	16,161	2,022	1,181	100	19,464
<b>Total Deferred Outflows of Resources</b>	<b>16,161</b>	<b>2,022</b>	<b>1,181</b>	<b>100</b>	<b>19,464</b>

See accompanying notes.

**STATEMENT OF NET POSITION  
 PROPRIETARY FUNDS  
 SEPTEMBER 30, 2020  
 CITY OF NEPTUNE BEACH, FLORIDA**

	Business-Type Activities - Enterprise Funds				
	Major Fund		Major Fund		
	Water and Sewer	Major Fund Sanitation	Stormwater Utility	Non-Major Paid Parking	Total
<b>Liabilities</b>					
Current Liabilities Payable from Unrestricted Assets:					
Accounts Payable and Accrued Liabilities	\$ 157,764	\$ 110,159	\$ 33,992	\$ 30,045	\$ 331,960
Leases Payable - Current Portion	56,611	-	28,305	-	84,916
Bonds Payable - Current Portion	95,000	-	-	-	95,000
Loans Payable - Current Portion	657,807	-	-	-	657,807
Unearned Revenues	1,749	-	-	-	1,749
Compensated Absences	64,179	-	4,901	-	69,080
Due to Other Funds	-	39,551	-	162,000	201,551
<b>Total Current Liabilities Payable from Unrestricted Assets</b>	<b>1,033,110</b>	<b>149,710</b>	<b>67,198</b>	<b>192,045</b>	<b>1,442,063</b>
Current Liabilities Payable from Restricted Assets:					
Deposits	269,312	-	-	-	269,312
Accrued Interest Payable	14,498	-	-	-	14,498
<b>Total Current Liabilities Payable from Restricted Assets</b>	<b>283,810</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>283,810</b>
Non-Current Liabilities:					
Compensated Absences	82,599	-	6,307	-	88,906
Leases Payable	84,889	-	42,444	-	127,333
Loans Payable	2,545,294	-	-	-	2,545,294
Other Postemployment Benefits	228,768	28,629	16,719	1,422	275,538
<b>Total Non-Current Liabilities</b>	<b>2,941,550</b>	<b>28,629</b>	<b>65,470</b>	<b>1,422</b>	<b>3,037,071</b>
<b>Total Liabilities</b>	<b>4,258,470</b>	<b>178,339</b>	<b>132,668</b>	<b>193,467</b>	<b>4,762,944</b>
<b>Deferred Inflows of Resources</b>					
OPEB Related	6,630	830	485	41	7,986
<b>Total Deferred Inflows of Resources</b>	<b>6,630</b>	<b>830</b>	<b>485</b>	<b>41</b>	<b>7,986</b>
<b>Net Position</b>					
Net Investment in Capital Assets	11,693,622	-	486,939	152,181	12,332,742
Restricted for:					
Debt Service	270,912	-	-	-	270,912
Renewal and Replacement	100,076	-	-	-	100,076
Stormwater	-	-	928,228	-	928,228
Unrestricted	2,380,119	(70,365)	-	(135,966)	2,173,788
<b>Total Net Position</b>	<b>\$ 14,444,729</b>	<b>\$ (70,365)</b>	<b>\$ 1,415,167</b>	<b>\$ 16,215</b>	<b>\$ 15,805,746</b>

See accompanying notes.

**STATEMENT OF REVENUES, EXPENSES, AND  
CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2020  
CITY OF NEPTUNE BEACH, FLORIDA**

	<b>Business-Type Activities - Enterprise Funds</b>				<b>Total</b>
	<b>Major Fund Water and Sewer</b>	<b>Major Fund Sanitation</b>	<b>Major Fund Stormwater Utility</b>	<b>Non-Major Paid Parking</b>	
<b>Operating Revenues</b>					
Charges for Services	\$ 4,759,312	\$ 1,374,138	\$ 1,159,097	\$ 382,651	\$ 7,675,198
Connection Fees and Impact Fees	28,799	-	-	-	28,799
<b>Total Operating Revenues</b>	<b>4,788,111</b>	<b>1,374,138</b>	<b>1,159,097</b>	<b>382,651</b>	<b>7,703,997</b>
<b>Operating Expenses</b>					
Personal Services	1,663,554	199,082	133,930	11,768	2,008,334
Utilities	246,009	-	-	3,142	249,151
Supplies and Materials	247,802	5,310	37,140	5,427	295,679
Contractual Services	217,678	1,199,151	72,516	176,083	1,665,428
Depreciation and Amortization	715,089	-	37,569	13,008	765,666
Repairs and Maintenance	128,889	7,348	20,205	1,337	157,779
Insurance	89,914	12,593	8,545	2,000	113,052
Other Operating	20,115	9,439	871	105,778	136,203
<b>(Total Operating Expenses)</b>	<b>(3,329,050)</b>	<b>(1,432,923)</b>	<b>(310,776)</b>	<b>(318,543)</b>	<b>(5,391,292)</b>
<b>Operating Income</b>	<b>1,459,061</b>	<b>(58,785)</b>	<b>848,321</b>	<b>64,108</b>	<b>2,312,705</b>
<b>Non-Operating Revenues (Expenses)</b>					
Interest Revenue	30,713	-	8,247	480	39,440
Interest/Amortization Expense	(131,268)	-	(4,022)	-	(135,290)
<b>Total Non-Operating Revenues (Expenses)</b>	<b>(100,555)</b>	<b>-</b>	<b>4,225</b>	<b>480</b>	<b>(95,850)</b>
<b>Income Before Operating Transfers</b>	<b>1,358,506</b>	<b>(58,785)</b>	<b>852,546</b>	<b>64,588</b>	<b>2,216,855</b>
<b>Transfers (out)</b>	<b>(195,866)</b>	<b>-</b>	<b>(20,522)</b>	<b>(23,612)</b>	<b>(240,000)</b>
<b>Change in Net Position</b>	<b>1,162,640</b>	<b>(58,785)</b>	<b>832,024</b>	<b>40,976</b>	<b>1,976,855</b>
<b>Total Net Position, Beginning of Year</b>	<b>13,282,089</b>	<b>(11,580)</b>	<b>583,143</b>	<b>(24,761)</b>	<b>13,828,891</b>
<b>Total Net Position, End of Year</b>	<b>\$ 14,444,729</b>	<b>\$ (70,365)</b>	<b>\$ 1,415,167</b>	<b>\$ 16,215</b>	<b>\$ 15,805,746</b>

See accompanying notes.

**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2020**  
**CITY OF NEPTUNE BEACH, FLORIDA**

	<b>Business-Type Activities - Enterprise Funds</b>				<b>Total</b>
	<b>Major Fund Water and Sewer</b>	<b>Major Fund Sanitation</b>	<b>Major Fund Stormwater Utility</b>	<b>Non-Major Paid Parking</b>	
<b>Cash Flows from Operating Activities</b>					
Cash Received from Customers	\$ 4,736,375	\$ 1,358,385	\$ 1,166,880	\$ 381,563	\$ 7,643,203
Cash Paid to Suppliers	(892,624)	(1,231,387)	(144,286)	(266,732)	(2,535,029)
Cash Paid to Employees	(1,651,466)	(200,343)	(133,154)	(10,405)	(1,995,368)
<b>Net Cash Provided by (Used in) Operating Activities</b>	<u>2,192,285</u>	<u>(73,345)</u>	<u>889,440</u>	<u>104,426</u>	<u>3,112,806</u>
<b>Cash Flows from Non-Capital Financing Activities</b>					
Transfers from/(to) Other Funds	(235,417)	39,551	(20,522)	(23,612)	(240,000)
<b>Net Cash Provided by (Used in) Non-Capital Financing Activities</b>	<u>(235,417)</u>	<u>39,551</u>	<u>(20,522)</u>	<u>(23,612)</u>	<u>(240,000)</u>
<b>Cash Flows from Capital and Related Financing Activities</b>					
Payments on Leases	(54,014)	-	(27,008)	-	(81,022)
Payments on Loans and Bonds	(731,036)	-	-	-	(731,036)
Intergovernmental Revenues	-	-	-	-	-
Interest Paid on Revenue Bonds	(132,740)	-	(4,022)	-	(136,762)
Acquisition and Construction of Capital Assets	(424,917)	-	(220,600)	(25,000)	(670,517)
<b>Net Cash Provided by (Used in) Capital and Related Financing Activities</b>	<u>(1,342,707)</u>	<u>-</u>	<u>(251,630)</u>	<u>(25,000)</u>	<u>(1,619,337)</u>
<b>Cash Flows from Investing Activities</b>					
Interest Received	30,713	-	8,247	480	39,440
<b>Net Cash Provided by (Used in) Investing Activities</b>	<u>30,713</u>	<u>-</u>	<u>8,247</u>	<u>480</u>	<u>39,440</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	644,874	(33,794)	625,535	56,294	1,292,909
<b>Cash and Cash Equivalents, Beginning of Year</b>	2,622,069	33,794	352,001	60	3,007,924
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 3,266,943</u>	<u>\$ -</u>	<u>\$ 977,536</u>	<u>\$ 56,354</u>	<u>\$ 4,300,833</u>
<b>Reconciliation of Cash and Cash Equivalents to Statement of Net Position</b>					
Equity in Pooled Cash and Investments	\$ 2,447,655	\$ -	\$ 977,536	\$ 56,354	\$ 3,481,545
Restricted Equity in Pooled Cash and Investments	819,288	-	-	-	819,288
<b>Total Cash and Cash Equivalents</b>	<u>\$ 3,266,943</u>	<u>\$ -</u>	<u>\$ 977,536</u>	<u>\$ 56,354</u>	<u>\$ 4,300,833</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities</b>					
Operating Income (Loss)	\$ 1,459,061	\$ (58,785)	\$ 848,321	\$ 64,108	\$ 2,312,705
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:					
Depreciation and Amortization	715,089	-	37,569	13,008	765,666
Changes in Assets - Decrease (Increase) and Liabilities - Increase (Decrease):					
Accounts Receivable	(48,515)	(15,753)	7,783	(1,088)	(57,573)
Accounts Payable	57,783	2,454	(5,009)	27,035	82,263
Compensated Absences	10,844	-	321	-	11,165
Unearned Revenues	(729)	-	-	-	(729)
Customer Deposits	(2,492)	-	-	-	(2,492)
Other Postemployment Benefits	1,244	(1,261)	455	1,363	1,801
Total Adjustments	<u>733,224</u>	<u>(14,560)</u>	<u>41,119</u>	<u>40,318</u>	<u>800,101</u>
<b>Net Cash Provided by (Used in) Operating Activities</b>	<u>\$ 2,192,285</u>	<u>\$ (73,345)</u>	<u>\$ 889,440</u>	<u>\$ 104,426</u>	<u>\$ 3,112,806</u>

See accompanying notes.

**STATEMENT OF NET POSITION  
FIDUCIARY FUND  
SEPTEMBER 30, 2020  
CITY OF NEPTUNE BEACH, FLORIDA**

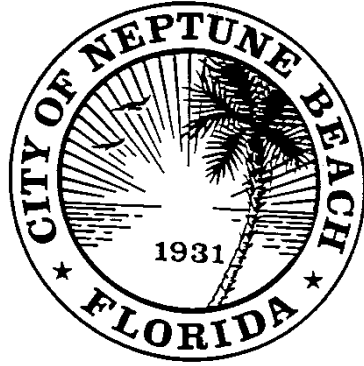
	<b>Police Officers' Plan</b>
<b>Assets</b>	
Cash and Short-Term Investments	\$ 290,205
Accrued Interest Receivable	26,790
Investments:	
U.S. Government Obligations	1,447,379
Corporate Bonds	1,642,763
Electronically Traded Funds (ETFs)	1,281,432
Foreign Bonds	102,060
Mutual Funds - Equity	1,068,882
Common Equity Securities	5,077,338
Total Investments	10,619,854
Prepaid Expenses	2,598
<b>Total Assets</b>	10,939,447
 <b>Liabilities</b>	
Accounts Payable	7,243
DROP Benefits Payable	24,471
<b>Total Liabilities</b>	31,714
 <b>Net Position</b>	
Held in Trust for Pension Benefits	\$ 10,907,733

See accompanying notes.

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2020  
CITY OF NEPTUNE BEACH, FLORIDA**

	<u>Police Officers' Plan</u>
<b>Additions</b>	
Contributions:	
Employees	\$ 124,238
Employer	496,735
State of Florida	67,065
Total Contributions	<u>688,038</u>
Investment Income:	
Net Appreciation in Fair Value of Investments	684,864
Interest and Dividends	248,733
Total Investment Earnings	<u>933,597</u>
(Less Investment Expense)	<u>(70,143)</u>
Net Investment Earnings	<u>863,454</u>
<b>Total Additions</b>	<u>1,551,492</u>
 <b>Deductions</b>	
Regular Benefit Payments	528,430
DROP Benefits	79,287
Administrative Expenses	77,992
<b>(Total Deductions)</b>	<u>(685,709)</u>
 <b>Change in Net Position</b>	 865,783
 <b>Net Position, Beginning of Year</b>	 <u>10,041,950</u>
 <b>Net Position, End of Year</b>	 <u>\$ 10,907,733</u>

See accompanying notes.



# Notes to Financial Statements

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Annual Financial Report

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

**Note 1 - Summary of Significant Accounting Policies**

The City of Neptune Beach, Florida (the City) was organized under Section 6 of Chapter 15356 Laws of Florida, 1931, and is currently governed as a municipal corporation under the Home Rule Charter of the City, adopted by Laws of Florida Chapter 88-481, effective October 1, 1988. The City operates under an elected mayor-council form of government under the administration of an appointed City Manager and provides the following services as authorized by its charter: Public Safety (Police, Fire, Animal Control, and Beach Patrol), Highways and Streets, Water and Sewer, Sanitation, Public Improvements, Planning, Development, and Zoning and General Administrative Services.

The financial statements of the City have been prepared in conformity with United States generally accepted accounting principles (GAAP) as applied to governmental units. The more significant of the City's accounting policies are described below.

**Reporting Entity**

The accompanying financial statements present the financial position, results of operations, and cash flows of the applicable fund types governed by the City Council of the City (City Council), the reporting entity of government for which the City Council is considered to be financially accountable. The City has also considered all other potential organizations for which the nature and significance of their relationships with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. 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.

**Basic Financial Statements**

The government-wide and fund financial statements along with the notes to the financial statements comprise the basic 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 interfund activity has been removed from these statements. Exceptions to this general rule are 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. 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 net position presents information on all of the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with difference reported as net position. 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.



**NOTES TO FINANCIAL STATEMENTS**  
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**CITY OF NEPTUNE BEACH, FLORIDA**

The statement of activities demonstrates the degree to which direct expenses of a given function or activity are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. 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 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.

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues available if they are collected within 60 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 benefits, and claims and judgments are recorded only when payment is due.

Taxes, intergovernmental revenue, licenses and permits, charges for services, and investment earnings associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period.

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses, and balance of current financial resources. The City has presented the following governmental funds:

■ **Major Governmental Fund Types**

The General Fund is the City's primary operation fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. The Better Jacksonville Half-Cent Tax Fund is also considered a major fund. This fund accounts for the City's share of revenue obtained from the Better Jacksonville Half-Cent Sales Surtax. Expenditures are used for projects to benefit all residents with respect to growth management, road improvements and construction, environmental protection and preservation, and public facilities.

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

■ **Non-Major Governmental Fund Types**

- **Special Revenue Funds**—These funds account for specific revenue sources that are restricted by law or administrative action to expenditures for specific purposes. Non-major special revenue funds include the Police Education Fund, Community Development Block Grant Fund, Convention Development Tax Fund, Forfeiture Proceeds Fund, Street Improvement Fund, Local Option Gas Tax Fund, Radio Communications Fund, and Holiday Décor Fund.

■ **Capital Projects Funds**

These funds account for financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by proprietary funds and trust funds. The City has two Capital Projects Funds.

■ **Proprietary Fund Types**

- **Proprietary Funds**—These funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. The accounting objectives are determination of operation income and changes in net position, financial position, and cash flow. All assets and liabilities are included on the statement of net position. The City's proprietary funds are all classified as enterprise funds. The City has presented the following proprietary funds:

- ▶ **Major Proprietary Funds**—The Water and Sewer Fund accounts for the activities of the City's water distribution system, sewage treatment plant, sewage pumping stations, and collection systems. The Sanitation Fund accounts for the activities of the City's sanitation and recycling services. The Stormwater Utility Fund accounts for the operation and maintenance of the stormwater system.

- ▶ **Non-Major Proprietary Funds**—The City has one non-major proprietary fund, the Paid Parking Fund. The Paid Parking Fund is used to account for the operation of the pay-for-parking program in the Beaches Town Center area.

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.

■ **Fiduciary Fund Types**

- **Police Officers' Plan Fund**—This fund accounts for the activities of the Police Officers' Retirement System Fund, which accumulates resources for pension and disability benefit payments to retired or disabled police.

■ **Fund Balance Classifications**

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.

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

- **Committed Fund Balance**—Amounts constrained to specific purposes by the City itself, using its highest level of decision-making authority (i.e., City Council). To be reported as committed, amounts cannot be used for any 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 Council or by an official or body to which the City Council delegates authority.
- **Unassigned Fund Balance**—Amounts that are available for any purpose. Positive amounts are reported only in the General Fund.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources (committed, assigned, and unassigned) 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 Council establishes (and modifies and 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 the City Council through adoption or amendment of the budget as intended for specific purposes (such as the purchase of fixed assets, construction, debt service, or other purposes).

**Budgets and Budgetary Accounting**

Annual appropriated budgets are adopted for the General and Better Jacksonville Half-Cent Tax Fund and the following non-major funds: Police Education, Community Development Block Grant, Convention Development Tax, Forfeiture Proceeds, Street Improvement, Local Option Gas Tax, Radio Communications, Holiday Décor, and a Capital Projects Fund. The legally adopted budgets are prepared on a basis consistent with GAAP.

The legal level of budgetary control is at the department level. Special revenue funds are treated as departments for budgetary control purposes and are categorized into one function. With the approval of the City Manager, department heads can amend line item expenditures within a department or special revenue fund. Line item transfers must net to zero. All unencumbered appropriations lapse at fiscal year-end. Encumbered budget appropriations are carried forward into the next fiscal year's budget.

The adopted budgets are integrated into the accounting system. The City has elected to present budgetary comparison schedule data for all governmental funds with annual budgets. The budgetary comparison schedule compares expenditures with the final amended budget. All budgets are presented on the modified accrual basis of accounting. Accordingly, the budgetary comparison schedule of the General, Better Jacksonville Half-Cent Tax, and Special Revenue Funds presents actual expenditures in accordance with the GAAP on a basis consistent with the legally adopted budgets as amended.

**NOTES TO FINANCIAL STATEMENTS**  
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The individual accounts that comprise the Water and Sewer Fund, Sanitation Fund, Stormwater Utility Fund, and Paid Parking Fund have legally adopted annual budgets. Budget to actual comparisons for enterprise funds are not required and have not been presented in these financial statements as this is not required as part of the basic financial statements.

**Cash and Cash Equivalents**

Cash and cash equivalents are defined as short-term, highly-liquid investments that are both readily convertible to known amounts of cash and have an original maturity of three months or less. The cash and cash equivalents presented on the statement of cash flows – proprietary funds are composed of restricted and unrestricted cash and cash equivalents. The City’s cash and cash equivalents are considered to be cash on hand, demand deposits, and certificates of deposit (CDs).

**Investments**

The City has elected to proceed under the Alternative Investment Guidelines as set forth in Section 218.415(17), Florida Statutes. The City may invest any surplus public funds in the following:

- a. The State Board of Administration Local Government Surplus Trust Funds (SBA Investment Pool), or any intergovernmental investment pool authorized pursuant to the *Florida Interlocal Cooperation Act*;
- b. Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency;
- c. Interest bearing time deposits or savings accounts in qualified public depositories; and
- d. Direct obligations of the United States Treasury.

Securities listed in points c. and d. shall be invested to provide sufficient liquidity to pay obligations as they come due.

The Local Government Surplus Funds Trust Fund was created by act of the Florida Legislature effective October 1, 1977 (Chapter 218, Part IV, Florida Statutes), which allowed the State Board of Administration to establish an SBA Investment Pool. The SBA administers and provides regulatory oversight over Florida PRIME. The City’s investment in the Florida PRIME is reported at amortized cost. The fair value of the position in the pool is equal to the value of the pool shares. Separate financial reports for the SBA Investment Pool can be obtained from the Florida State Board of Administration, 1801 Hermitage Blvd., Tallahassee, Florida 32308.

Investments within the Police Officers’ Plan Fund made through financial brokers are held with trustees and are stated at fair value as determined in an active market. All foreign securities held by the pension plan are traded in U.S. Dollars.

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

For the investment policy governing the police retirement pension plan, the City is authorized to invest in the following:

- a. Equities traded on the national exchange or electric network. Not more than 5% of Plan's assets, at the time of purchase, shall be invested in common stock, capital stock, or convertible stock of any one issuing company, nor shall the aggregate investment in any one issuing company exceed 5% of the outstanding capital stock of the company.
- b. Fixed income investments that have a minimum rating of "A" or higher as reported by a major credit rating service; except no more than 10% of the total portfolio may be invested in securities that fall below these rating guidelines but must be rated "investment grade" or higher as reported by a major credit rating service. The value of bonds issued by a single corporation shall not exceed 10% of the total fund.
- c. Money market funds or short-term investment fund options provided by the Plan's custodian and have a minimum rating of Standards & Poor's "A1" or Moody's "P1".

**Receivable and Interfund Obligations**

Receivables consist of trade receivables, amounts due from other governments, and interest receivable and are recorded net of allowance for doubtful accounts. The City, as of September 30, 2020, has provided an allowance for doubtful accounts due to aged receivables in the proprietary funds that the City has reason to believe will not be collected.

The unbilled portion of Water and Sewer, Sanitation, and Stormwater Utility earned revenues accrued at year-end is based upon a proration of the October billing cycle.

Outstanding balances between funds at the end of the fiscal year are referred to as either "due to/from other funds" for the current portion of interfund loans or "advances to/from other funds" for the non-current portion. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

**Restricted Assets**

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation. Restricted assets in the enterprise funds represent cash and cash equivalents set aside for debt service payments, reserve requirements, renewal and replacement expenditures, construction, and repayment of deposits to utility customers.

**Capital Assets**

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$750 and an estimated useful life in excess of two years. Such assets are recorded at historical cost. Where cost could not be determined from the available records, estimated historical costs were used to record the estimated value of the assets. Assets acquired by gift or bequests are recorded at their fair market value at the date of donation.

**NOTES TO FINANCIAL STATEMENTS**  
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The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

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

General infrastructure assets acquired prior to October 1, 2002, are not reported in the basic financial statements.

General infrastructure assets acquired subsequent to October 1, 2002, are included in the basic financial statements.

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

Assets	Years
Buildings	20-40
Improvements Other than Buildings	10-40
Infrastructure	10-40
Equipment	5-20

**Unearned Revenue**

Governmental funds and business-type funds defer revenue recognition in connection with resources that have been received, but not yet earned.

**Deferred Outflows and Inflows of Resources**

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

**Long-Term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or business-type activities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the bond premium or discount. 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 premiums and discounts, as well as bond issuance costs during the current period. The face amount of the debt issued is 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 expenditures.

**NOTES TO FINANCIAL STATEMENTS**  
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**CITY OF NEPTUNE BEACH, FLORIDA**

**Compensated Absences**

City employees are entitled to certain compensated absences (personal leave) based on their length of employment. All leave pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported.

**Pension Plans**

The City’s defined benefit plan investments are recorded at market value, and it is the City’s policy to record pension costs in the period salaries are earned.

General employees are enrolled in a defined contribution 401(a) pension plan. The assets, liabilities, fund equity, and operations of this plan are not presented on the City’s financial statements as the plan is independently administered.

**Net Position**

Net position invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

**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 when received in cash, which approximates taxes levied, less discounts, for the current fiscal year.

Details of the tax calendar are presented below:

Lien Date	January 1
Levy Date	October 1
Installment Payments:	
1 <sup>st</sup> Installment	No Later than June 30 <sup>th</sup>
2 <sup>nd</sup> Installment	No Later than September 30 <sup>th</sup>
3 <sup>rd</sup> Installment	No Later than December 31 <sup>st</sup>
4 <sup>th</sup> Installment	No Later than March 31 <sup>st</sup>
Regular Payments:	
Discount Periods	November – February
No Discount Period	March
Delinquent Date	April 1 <sup>st</sup>

**Use of Estimates**

The preparation of basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

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

**Recent Governmental Accounting Standards Board (GASB) Standards**

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

Statement No. 87, *Leases*, establishes a single approach to accounting for leases where all leases are recognized by lessees on their balance sheet through a lease asset and corresponding lease liability. This statement is currently under review and management will consider the impact, if any, upon financial reporting. The provisions of this statement are effective for the City’s fiscal year beginning October 1, 2021.

**Note 2 - Cash Deposits and Investments**

The City maintains a cash and investment pool for all funds. Each fund’s portion of this pool is included in the balance sheet account “equity in pooled cash and cash equivalents.” Interest earnings are allocated in accordance with the participating fund’s relative percentage of investments.

At September 30, 2020, the cash deposits and investments included the following:

Investments Controlled by City:	
SBA Investment Pool	\$ 20,114
Certificate of Deposit	120,475
Total Investments Controlled by City	140,589
Cash:	
Cash Deposits	6,491,705
Restricted Cash	819,288
Cash on Hand	2,100
Total Cash	7,313,093
<b>Total Cash and Investments</b>	<b>\$ 7,453,682</b>

All of the City’s deposits are insured by the Federal Deposit Insurance Corporation or collateralized in accordance with the *Florida Security for Public Deposits Act* (the Act). Under the Act, every qualified public depository shall deposit with the Treasurer eligible collateral having a market value equal to 50% of the average daily balance for each month that all public deposits are in excess of any applicable deposit insurance. If the public deposits exceed the total amount of the regulatory capital accounts of a bank or the regulatory net worth of a savings association, the required collateral shall have a market value equal to 125% of the deposits.

**Restricted Cash**

Restricted cash in the proprietary funds at September 30, 2020, represent monies required to be restricted for debt service and construction under terms of outstanding bond agreements, and impact fees restricted to water and sewer system uses. Restricted cash for the proprietary funds at September 30, 2020, were restricted for the following purposes:

<b>Proprietary Funds</b>	
Construction Loans	\$ 178,988
Debt Service	270,912
Customer Deposits	269,312
Impact Fees	100,076
<b>Total Cash and Investments</b>	<b>\$ 819,288</b>



**NOTES TO FINANCIAL STATEMENTS**  
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**CITY OF NEPTUNE BEACH, FLORIDA**

**Risk**

In accordance with GASB Statement No. 40, investments also require certain disclosures regarding policies and practices with respect to the risks associated with them. Credit risk, custodial credit risk, concentration of credit risk, interest rate risk, and foreign currency risk are discussed in the following paragraphs.

**Credit Risk**

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City, including the Police Officers' Plan Fund, has an investment policy that states that all fixed income investments shall have a minimum rating of "A" or higher as reported by the major credit rating services at the time of purchase, except that no more than 10% of the total portfolio may be invested in securities that fall below these rating guidelines but must be rated "investment grade" or higher as reported by the major credit rating services. The Plan's rated debt instruments are presented in the table below using Standard & Poor's rating scale.

	QUALITY RATINGS									
	AAA	AA+	AA	AA-	A+	A	A-	BBB+	BBB	Unrated
Investments Controlled by the City:										
Certificates of Deposit	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 120,475
SBA Investment Pool	-	-	-	-	-	-	-	-	-	20,114
<b>Total Investments Controlled by the City</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>140,589</b>
Pension Plan Investments:										
U.S. Government and Federal Agency Securities	-	1,133,783	-	-	-	-	-	-	-	313,596
Corporate Bonds	-	214,369	78,206	-	74,869	84,497	333,701	494,852	287,271	75,000
ETFs - Fixed Income	-	-	-	-	-	-	-	-	-	1,281,432
Foreign Bonds	102,060	-	-	-	-	-	-	-	-	-
Mutual Funds - Equity	-	-	-	-	-	-	-	-	-	1,068,882
Common Equity Securities	-	-	-	-	-	-	-	-	-	5,077,338
<b>Total Pension Plan Investments</b>	<b>\$ 102,060</b>	<b>\$ 1,348,152</b>	<b>\$ 78,206</b>	<b>\$ -</b>	<b>\$ 74,869</b>	<b>\$ 84,497</b>	<b>\$ 333,701</b>	<b>\$ 494,852</b>	<b>\$ 287,271</b>	<b>\$ 7,816,248</b>

**Custodial Credit Risk**

Custodial credit risk for investments is the risk that, in the event of a failure of a counterparty, the City will not be able to recover the value of the investment or collateral securities that are in possession of an outside party.

At September 30, 2020, Police Officers' Plan Fund investments were uninsured and collateral was held by the pledging bank's trust department and was not in the City's name.

**Concentration of Credit Risk**

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investments in a single issuer. Investments issued or explicitly guaranteed by the United States government and investments in external investment pools are excluded from the disclosure requirement.

The City's Police Officers' Plan Fund had no single investments of more than 5% of the total net assets of the plan at September 30, 2020.

**Foreign Currency Risk**

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. All foreign securities held by the pension plan are traded in U.S. dollars.

**NOTES TO FINANCIAL STATEMENTS**  
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**Interest Rate Risk**

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. Section 218.415(17), Florida Statutes, limits investment maturities to provide sufficient liquidity to pay obligations as they come due. One of the ways the City manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of the City's investments (including investments held by the pension trustee) to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity:

Investment Type	Investment Maturities (in Years)				
	Fair Value	Less Than 1	1-5	6-10	More Than 10
Investments Controlled by the City:					
Certificates of Deposit	\$ 120,475	\$ 120,475	\$ -	\$ -	\$ -
SBA Investment Pool	20,114	20,114	-	-	-
<b>Total Investments Controlled by the City</b>	<b>\$ 140,589</b>	<b>\$ 140,589</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
Pension Plan Investments:					
U.S. Government and Agency Securities	\$ 1,447,379	-	\$ 543,514	\$ 596,363	\$ 307,502
Corporate Bonds	1,642,763	355,498	872,891	414,374	-
ETF - Fixed Income	1,281,432	1,281,432	-	-	-
Foreign Bonds	102,060	102,060	-	-	-
Mutual Funds - Equity	1,068,882	1,068,882	-	-	-
Common Equity Securities	5,077,338	5,077,338	-	-	-
<b>Total Investments Measured at Fair Value</b>	<b>\$ 10,619,854</b>	<b>\$ 7,885,210</b>	<b>\$ 1,416,405</b>	<b>\$ 1,010,737</b>	<b>\$ 307,502</b>

**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.

**NOTES TO FINANCIAL STATEMENTS**  
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The Plan's investments are measured at fair value on a recurring basis. Fair value measurements are categorized based on the valuation inputs used to measure an asset's fair value in the hierarchy described above. The fair value measurements for the Plan's operating investments are as follows at September 30, 2020:

Investments at 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)
Fiduciary Funds:				
U.S. Government Obligations and Federal Agency Securities	\$ 1,447,378	\$ -	\$ 1,447,378	\$ -
Corporate Bonds	1,642,765	-	1,642,765	-
Foreign Bonds	102,060	-	102,060	-
Common Stock	5,077,338	5,077,338	-	-
ETF - Fixed Income	1,281,432	1,281,432	-	-
Mutual Funds - Equity	1,068,882	1,068,882	-	-
<b>Total Investments Measured at Fair Value</b>	<b>\$ 10,619,855</b>	<b>\$ 7,427,652</b>	<b>\$ 3,192,203</b>	<b>\$ -</b>

Equities and U.S. Government Securities are valued based on prices quoted in active markets and are categorized as Level 1 in the fair value hierarchy. Federal Agency Securities are valued using matrix pricing techniques that value securities based on their relationship to benchmark quoted prices. Corporate bonds are valued using quoted prices for similar securities in active markets and are categorized as Level 2 in the fair value hierarchy.

**Note 3 - Receivables**

Receivables at September 30, 2020, consist of the following:

	General Fund	Better Jax Surtax Fund	Water and Sewer Fund	Sanitation Fund	Storm-Water Utility Fund	Police Officers' Plan Fund	Non-Major/Other Funds	Total Funds
<b>Receivables</b>								
Interest	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 26,790	\$ -	\$ 26,790
Accounts Receivable	-	-	539,515	135,118	109,036	-	1,088	784,757
Intergovernmental	337,587	51,175	-	-	-	-	42,458	431,220
Gross Receivables	337,587	51,175	539,515	135,118	109,036	26,790	43,546	1,242,767
Allowance	-	-	(106,576)	(28,336)	(97,121)	-	-	(232,033)
<b>Net Receivables</b>	<b>\$ 337,587</b>	<b>\$ 51,175</b>	<b>\$ 432,939</b>	<b>\$ 106,782</b>	<b>\$ 11,915</b>	<b>\$ 26,790</b>	<b>\$ 43,546</b>	<b>\$ 1,010,734</b>

Included in accounts receivable are \$269,718 earned but not billed as of September 30, 2020.

**NOTES TO FINANCIAL STATEMENTS  
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**Note 4 - Interfund Transactions**

Interfund receivables/payables represent temporary loans to cover other funds' deficits in pooled cash and investments. At September 30, 2020, the City had the following due to/from other funds:

	<b>Due from Other Funds</b>	<b>Due to Other Funds</b>
<b>Receivables</b>		
Better Jax Half-Cent Tax Fund	\$ 162,000	\$ -
Water and Sewer Fund	39,551	-
Sanitation Fund	-	39,551
Paid Parking Fund	-	162,000
<b>Net Receivables</b>	<b>\$ 201,551</b>	<b>\$ 201,551</b>

Transfers from a fund of resources to the fund through which 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 interfund transfers for the year ended September 30, 2020:

	Transfers Out					Total Funds
	General Fund	Better Jacksonville Half-Cent Tax Fund	Water/Sewer Fund	Stormwater Fund	Non-Major Funds	
<b>Transfers In</b>						
General Fund	\$ -	\$ -	\$ 195,866	\$ 20,522	\$ 33,612	\$ 250,000
Non-Major Governmental Funds	90,201	128,824	-	-	36,830	255,855
<b>Total Transfers In</b>	<b>\$ 90,201</b>	<b>\$ 128,824</b>	<b>\$ 195,866</b>	<b>\$ 20,522</b>	<b>\$ 70,442</b>	<b>\$ 505,855</b>

Transfers in (out) during the fiscal year 2020, are as follows:

- \$10,000 was transferred from the Convention Development Tax Fund to the General Fund to cover expenses paid for by the General Fund.
- \$20,000 was transferred from the General Fund to the Community Development Block Grant Fund to provide additional funding for expenses in excess of revenues.
- \$94,833 was transferred from the General Fund to the Capital Improvement Fund to help fund the purchase of new vehicles.
- \$95,000 was transferred from the Water and Sewer Fund to the General Fund to support the governmental activities.
- \$72,333 was transferred from the Better Jacksonville Half-Cent Fund to the Jarobe Park CIP fund to support the Jarobe Park renovations.

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**Note 5 - Capital Assets**

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

	Balance October 1, 2019	Increases	Decreases	Balance September 30, 2020
<b>Governmental Activities</b>				
Capital Assets, Not Being Depreciated:				
Land	\$ 37,861	\$ -	\$ -	\$ 37,861
Construction in Process	99,710	38,836		138,546
Total Capital Assets, Not Being Depreciated	<u>137,571</u>	<u>38,836</u>	<u>-</u>	<u>176,407</u>
Capital Assets Being Depreciated:				
Buildings and Improvements	4,938,152	50,399	-	4,988,551
Improvements Other than Buildings	3,372,544	7,931	-	3,380,475
Equipment	3,142,600	236,809	(155,764)	3,223,645
Total Capital Assets Being Depreciated	<u>11,453,296</u>	<u>295,139</u>	<u>(155,764)</u>	<u>11,592,671</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	(1,918,598)	(158,106)	-	(2,076,704)
Improvements Other than Buildings	(1,985,069)	(90,778)	-	(2,075,847)
Equipment	(2,787,551)	(154,875)	153,373	(2,789,053)
Total Accumulated Depreciation	<u>(6,691,218)</u>	<u>(403,759)</u>	<u>153,373</u>	<u>(6,941,604)</u>
Total Capital Assets Being Depreciated	<u>4,762,078</u>	<u>(108,620)</u>	<u>(2,391)</u>	<u>4,651,067</u>
<b>Total Governmental Activities, Capital Assets, Net</b>	<u>\$ 4,899,649</u>	<u>\$ (69,784)</u>	<u>\$ (2,391)</u>	<u>\$ 4,827,474</u>
	Balance October 1, 2019	Increases	Decreases	Balance September 30, 2020
<b>Business-Type Activities</b>				
Capital Assets, Not Being Depreciated:				
Construction in Process	\$ 165,197	\$ 130,795	\$ -	\$ 295,992
Total Capital Assets, Not Being Depreciated	<u>165,197</u>	<u>130,795</u>	<u>-</u>	<u>295,992</u>
Capital Assets Being Depreciated:				
Buildings and Improvements	3,347,870	5,218	-	3,353,088
Improvements Other than Buildings	23,706,572	361,073	-	24,067,645
Equipment	5,272,527	173,431	-	5,445,958
Total Capital Assets Being Depreciated	<u>32,326,969</u>	<u>539,722</u>	<u>-</u>	<u>32,866,691</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	(3,290,379)	(3,321)	-	(3,293,700)
Improvements Other than Buildings	(9,502,455)	(491,086)	-	(9,993,541)
Equipment	(3,940,079)	(271,259)	-	(4,211,338)
Total Accumulated Depreciation	<u>(16,732,913)</u>	<u>(765,666)</u>	<u>-</u>	<u>(17,498,579)</u>
Total Capital Assets Being Depreciated	<u>15,594,056</u>	<u>(225,944)</u>	<u>-</u>	<u>15,368,112</u>
<b>Business-Type Activities, Capital Assets, Net</b>	<u>\$ 15,759,253</u>	<u>\$ (95,149)</u>	<u>\$ -</u>	<u>\$ 15,664,104</u>

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Depreciation expense was charged to functions/programs as follows:

<b>Governmental Activities</b>	
General Government	\$ 40,761
Public Safety	154,946
Transportation	124,664
Culture and Recreation	83,388
<b>Total Depreciation Expense - Governmental Activities</b>	<b>\$ 403,759</b>
 <b>Business-Type Activities</b>	
Water and Sewer	\$ 715,089
Stormwater Utility	37,569
Paid Parking Fund	13,008
<b>Total Depreciation Expense - Business-Type Activities</b>	<b>\$ 765,666</b>

**Note 6 - Long-Term Liabilities**

At September 30, 2020, bonds and loans payable consisted of the following:

	<u>Governmental</u>	<u>Business-Type</u>
<b>Bonds</b>		
Infrastructure Surtax Revenue Bonds, Series 2010A Dated January 12, 2010, for \$1,700,000, Due in Semi-Annual Installments of Principal Ranging from \$65,000 to \$95,000, Bearing an Interest Rate of 2.6%, Final Payment Due October 1, 2020	\$ -	\$ 95,000
 <b>Loans</b>		
Drinking Water State Revolving Fund Construction Loan #1, Due in Semi-Annual Installments of Principal and Interest of \$6,350 through August 15, 2021, Bearing an Interest Rate of 3.52%	-	12,373
Drinking Water State Revolving Fund Construction Loan #2, Due in Semi-Annual Installments of Principal and Interest of \$59,050 through February 15, 2023, Bearing an Interest Rate of 3.05%	-	282,192
Clean Water State Revolving Fund Construction Loan, Due in Semi-Annual Installments of Principal and Interest of \$142,402 through August 15, 2022, Bearing an Interest Rate of 3.05%	-	548,536
Water and Sewer Revenue Note, Series 2013A Dated September 10, 2013, for \$3,280,000, Due in Semi-Annual Installments of Principal Ranging from \$5,000 to \$325,000, Bearing an Interest Rate of 3.35%, Final Payment Due October 1, 2028	-	2,360,000
 <b>Total</b>	<b>\$ -</b>	<b>\$ 3,298,101</b>

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Transactions for the year ended September 30, 2020, are summarized as follows:

	Balance October 1, 2019	Additions	Reductions	Balance September 30, 2020	Due Within One Year
<b>Governmental Activities</b>					
Net Pension Liability	\$ 840,837	\$ -	\$ (48,060)	\$ 792,777	\$ -
Other Postemployment Benefit Obligations	596,982	31,705	-	628,687	-
Compensated Absences	364,720	319,148	(265,139)	418,729	279,849
<b>Total Governmental Activities -</b>					
<b>Long-Term Liabilities</b>	<u>\$ 1,802,539</u>	<u>\$ 350,853</u>	<u>\$ (313,199)</u>	<u>\$ 1,840,193</u>	<u>\$ 279,849</u>
<b>Business-Type Activities</b>					
Bonds Payable:					
Infrastructure Surtax Revenue					
Bonds, 2010A	\$ 190,000	\$ -	\$ (95,000)	\$ 95,000	\$ 95,000
Loans Payable:					
Drinking Water Loan #1	24,321	-	(11,948)	12,373	12,373
Drinking Water Loan #2	389,216	-	(107,025)	282,191	110,316
Clean Water Loan	810,600	-	(262,063)	548,537	270,118
Water and Sewer Revenue Note					
Series 2013A	2,615,000	-	(255,000)	2,360,000	265,000
Total Bonds and Loans Payable	<u>4,029,137</u>	<u>-</u>	<u>(731,036)</u>	<u>3,298,101</u>	<u>752,807</u>
Lease Payable	293,271	-	(81,022)	212,249	84,916
Other Postemployment Benefit Obligations	272,427	3,111	-	275,538	-
Compensated Absences	146,821	84,581	(73,416)	157,986	69,080
<b>Business-Type Activities - Long-Term Liabilities</b>	<u>\$ 4,741,656</u>	<u>\$ 87,692</u>	<u>\$ (885,474)</u>	<u>\$ 3,943,874</u>	<u>\$ 906,803</u>

The annual requirements to amortize the bonds and loans payable outstanding as of September 30, 2020, are summarized as follows:

Fiscal Year Ending September 30,	Infrastructure Surtax Revenue Bonds, 2010A		Drinking Water State Revolving Fund Construction Loan #1	
	Principal	Interest	Principal	Interest
2021	\$ 95,000	\$ 1,264	\$ 12,373	\$ 328
<b>Total</b>	<u>\$ 95,000</u>	<u>\$ 1,264</u>	<u>\$ 12,373</u>	<u>\$ 328</u>

Fiscal Year Ending September 30,	Drinking Water State Revolving Fund Construction Loan #2		Clean Water State Revolving Fund Construction Loan	
	Principal	Interest	Principal	Interest
2021	\$ 110,316	\$ 7,781	\$ 270,118	\$ 14,686
2022	113,712	4,387	278,419	6,385
2023	58,163	888	-	-
<b>Total</b>	<u>\$ 282,191</u>	<u>\$ 13,056</u>	<u>\$ 548,537</u>	<u>\$ 21,071</u>

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Fiscal Year Ending September 30,	Water and Sewer Revenue Note, 2013A		Business-Type Activities Totals	
	Principal	Interest	Principal	Interest
2021	\$ 265,000	\$ 79,060	\$ 752,807	\$ 103,119
2022	275,000	70,183	667,131	80,955
2023	280,000	60,970	338,163	61,858
2024	290,000	51,590	290,000	51,590
2025	300,000	41,875	300,000	41,875
2026-2030	950,000	64,153	950,000	64,153
<b>Total</b>	<b>\$ 2,360,000</b>	<b>\$ 367,831</b>	<b>\$ 3,298,101</b>	<b>\$ 403,550</b>

The final draw on the water construction project #1, which was funded by Drinking Water State Revolving Fund Construction Loan #1, was received on December 3, 2001. The full amount of the loan was \$174,183 and was used for water system project construction. Revenues of the Water and Sewer Fund will repay this obligation. Annual principal and interest on the loan is expected to require 0.55% of such revenues and is payable through 2021. At year-end, pledged future revenues totaled \$12,700, which was the amount of remaining principal and interest on the loan.

On May 7, 2001, the City was approved for a Drinking Water State Revolving Fund Construction Loan #2 for water construction project #2. The full amount of the loan was \$1,740,925 and was used for water system project construction. Revenues of the Water and Sewer Fund will repay this obligation. Annual principal and interest on the loan is expected to require 5% of such revenues and is payable through 2023. At year-end, pledged future revenues totaled \$295,247, which was the amount of remaining principal and interest on the loan.

On January 4, 1999, the City was approved for a Clean Water State Revolving Fund Construction Loan for sewer project construction. The full amount of the loan was \$4,428,579 and was used for sewer project construction. Revenues of the Water and Sewer Fund will repay this obligation. Annual principal and interest on the loan is expected to require 12% of such revenues and is payable through 2022. At year-end, pledged future revenues totaled \$569,607, which was the amount of remaining principal and interest on the loan.

On January 12, 2010, the City issued Infrastructure Surtax Revenue Bonds Series A for \$1,700,000. The proceeds of the bond issue are to improve the sewage treatment plant and to replace in-ground infrastructure of the City's water and sewer utility system. The bonds are secured from the infrastructure surtax. Annual principal and interest on the bonds are expected to require 58% of such revenues and are payable through 2020. However, revenues of the Water and Sewer Fund will repay these bonds. At year-end, pledged future revenues totaled \$96,264, which was the amount of remaining principal and interest on the bonds.

On September 10, 2013, the City approved the Water and Sewer Revenue Note 2013A for \$3,280,000. The proceeds of the loans will be used for improvements to the water and sewer system and refunding the 2001 Water and Sewer Bond and paying related costs. Annual principal and interest on the notes are expected to require 15% of such revenues and are payable through 2028. At year-end, pledged future revenues totaled \$1,371,803, which was the amount of remaining principal and interest on the notes.



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**Capital Lease**

The City entered into a lease agreement on February 22, 2019 for financing the acquisition of a Menzi Muck Excavator. The City has recorded the equipment into their fixed asset system at the present value of the minimum lease payments of \$338,805. The term of the lease is 4 years or 48 months and at an interest rate of 4.705%.

The asset acquired through the capital leases is as follows:

<b>Asset</b>		
Radios	\$	338,805
(Accumulated Depreciation)		<u>(67,761)</u>
<b>Total</b>		<u><u>\$ 271,044</u></u>

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

Year Ending September 30,	Business-Type Activities
2021	\$ 93,087
2022	93,087
2023	<u>38,786</u>
<b>Total</b>	224,960
<b>(Amount Representing Interest)</b>	<u>(12,711)</u>
<b>Net Present Value</b>	<u><u>\$ 212,249</u></u>

**Note 7 - Employee Benefits**

***Police Officers' Retirement System***

**Plan Description**

The City Police Officers' Retirement System (Police Officers' Plan Fund), a single-employer contributory defined benefit pension plan, was established pursuant to City Ordinance 1997-10, adopted September 2, 1997, by the City Council. Members of the Police Officers' Plan Fund include full-time state certified police officers. The funding method and determination of benefits payable are provided in various acts of the Florida Legislature (Act), which created funds, including subsequent amendments, thereto. The statutes provide, in general, that funds are to be accumulated from employee contributions, City contributions, state appropriations, and income from investment of accumulated funds. The Act also provides, should the accumulated funds at any time be insufficient to meet and pay the benefits due, the City shall supplement the Police Officers' Plan Fund by an appropriation from current funds or from any revenue which may lawfully be used for said purposes in an amount sufficient to make up the deficiency. The Police Officers' Plan Fund is administered by a Board of Trustees (the Board) comprised of two council appointees, two members of the department elected by the membership, and a fifth member elected by the other four and appointed by the council. Investments are reported at fair value. The Police Officers' Plan Fund does not issue a stand-alone financial report. Plan membership in the Police Officers' Plan Fund is as follows:

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	<b>October 1, 2020</b>
<b>Retirees and Beneficiaries</b>	
Inactive Plan Members or Beneficiaries	
Currently Receiving Benefits	14
Inactive Plan Members Entitled to but not yet Receiving Benefits	10
Active Plan Members	18
<b>Total Retirees and Beneficiaries</b>	<b>42</b>

**Plan Benefits**

The Police Officers’ Plan Fund provides pension, death, and disability benefits to its members. As stipulated by City ordinance, authority to establish and amend benefit provisions of the Police Officers’ Plan Fund, along with the authority to provide for cost-of-living adjustments, rests with the City Council.

Police employees attaining the earlier of the age of 55 and 10 years of credited service or 25 years of credited service, are entitled to a retirement benefit equal to 2.75% times years of credited service times average final compensation (as defined by the Police Officers’ Plan Fund). Employees who have attained age 50 and have completed 10 years of credited service are eligible for early retirement and may elect actuarially reduced benefits. Active employees who become disabled receive accrued benefits, but not less than 42% of average monthly earnings (service incurred disability). Employees who become disabled from a non-service incurrence must have 10 years of credited service to receive benefits. The benefits are payable for life or until full recovery is determined by the Board of Trustees. If an employee is terminated before completion of 10 years of continuous service, employee contributions, without interest, are refunded. If an employee terminates his employment either voluntarily or by lawful discharge after the completion of at least 10 years of continuous service, but before becoming eligible for retirement under the Police Officers’ Plan Fund, the employee is entitled to a deferred vested benefit. The deferred vested benefit is based on monthly earnings and continuous service as of the termination date. There are no automatic or ad hoc post-retirement benefit increases.

The Police Officers’ Plan Fund includes a Deferred Retirement Option Program (DROP) under which members eligible for normal retirement may have their monthly pension benefit credited to an account while continuing to be actively employed for up to five years. As of September 30, 2020, Police Officers’ Plan Fund net pension included \$118,240 of DROP account balances.

**Contributions**

The City’s contribution is actuarially determined. The City’s required contribution as a percentage of covered payroll was 24.57%. Plan members are required to contribute 8% of their annual covered salary.

**Measurement Date**

The City has elected to use a measurement date to value the net pension liability and related deferred inflows and outflows as of September 30, 2019, one year prior to the reporting date. The City’s Pension Plans do not issue separate financial statements. Therefore, the disclosures required by GASB Statement No. 67 as of September 30, 2020, are also included below.

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**Net Pension Liability**

The components of the net pension liability for the plan as of September 30, 2020, (reporting date) and for the year then ended, were as follows:

	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability</u>
<b>Balances at September 30, 2018</b>	\$ 10,940,064	\$ 10,099,227	\$ 840,837
Changes for the Year:			
Service Cost	209,773	-	209,773
Interest	816,477	-	816,477
Change in Excess State Money	-	-	-
Share Plan Allocation	31,455	-	31,455
Differences Between Expected and Actual Experience	47,624	-	47,624
Contributions - Employer	-	430,046	(430,046)
Contributions - State	-	124,608	(124,608)
Contributions - Employee	-	104,349	(104,349)
Contributions - Buy Back	4,969	4,969	-
Net Investment Income	-	537,577	(537,577)
Benefit Payments, Including Refunds of Contributions	(1,229,292)	(1,229,292)	
Administrative Expenses	-	(43,191)	43,191
Net Changes	<u>(118,994)</u>	<u>(70,934)</u>	<u>(48,060)</u>
<b>Balances at September 30, 2019</b>	<u>\$ 10,821,070</u>	<u>\$ 10,028,293</u>	<u>\$ 792,777</u>

	<u>September 30, 2020</u>
Total Pension Liability	\$ 11,291,390
Plan Net Position	<u>10,907,168</u>
Net Pension Liability	<u>\$ 384,222</u>

**Plan Net Position as a Percentage of  
Total Pension Liability** 96.60%

Differences between plan fiduciary net position presented above and the amounts presented in the financial statements are due to certain accruals, which are the result of timing differences. These differences are not considered to be significant.

For the year ended September 30, 2020, the City recognized total pension expense of \$623,703. The City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<b>Deferred Outflows of Resources</b>	
Difference between Expected and Actual Experience	\$ 71,756
Net Difference between Projected and Actual Earnings on Pension Plan Investments	140,184
Contributions Made after the Measurement Date	<u>563,800</u>
<b>Total Deferred Outflows of Resources</b>	<u>\$ 775,740</u>
<b>Deferred Inflows of Resources</b>	
Difference between Expected and Actual Experience	\$ 53,083
<b>Total Deferred Inflows of Resources</b>	<u>\$ 53,083</u>

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

<b>Year Ended September 30,</b>	<b>Amount</b>
2021	\$ 12,956
2022	24,069
2023	77,525
2024	44,307
2025	-
Thereafter	-

**Plan Investments**

The Board is responsible for establishing and amending the Police Officers' Plan Fund's investment policies. The Police Officers' Plan Fund's current investment policy gives the Board discretion to allocate assets with assistance of the Police Officers' Plan Fund's investment consultant. The Board has established the following asset allocation targets for the total fund as of September 30, 2020: (1) domestic equities target is 45% with a suggested range of 35% - 55% using the S&P 500 benchmark index; (2) international equities target is 10% with a suggested range of 5% - 25% using the MSCI-EAFE benchmark index; and (3) broad market fixed income has a target of 45% with suggested ranges of 35% - 55% using the Barclays intermediate aggregate bond index as a benchmark index. The Police Officers' Plan Fund did not hold investments in any one organization that represents 5% or more of the Police Officers' Plan Fund's net position. The money-weighted rate of return on Police Officers' Plan Fund investments, net of investment related expenses, was 8.61% and 5.32% for the years ended September 30, 2020 and 2019, respectively.

**Actuarial Assumptions**

The total pension liability was determined by an actuarial valuation as of October 1, 2019, updated to September 30, 2020, using the following actuarial assumptions:

Inflation	2.50%
Salary Increases	Service Based
Discount Rate	7.75%
Investment Rate of Return, Including Inflation	7.75%

**Mortality Rate Healthy Active Lives:**

- Female: PubS.H-2010 for Employees, set forward one year.
- Male: PubS.H-2010 (Below Median) for Employees, set forward one year.

**Mortality Rate Retiree Lives:**

- Female: PubS.H-2010 for Healthy Retirees, set forward one year.
- Male: PubS.H-2010 (Below Median) for Healthy Retirees, set forward one year.

**Mortality Rate Beneficiary Lives:**

- Female: PubG.H-2010 (Below Median) for Healthy Retirees.
- Male: PubG.H-2010 (Below Median) for Healthy Retirees, set back one year.

**Mortality Rate Disabled Lives:**

- 80% PubG.H-2010 for Disabled Retirees / 20% PubS.H-2010 for Disabled Retirees

The most recent actuarial experience study used to review the other significant assumptions was dated August 18, 2015.

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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 plans investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2020, and are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	45.0%	7.50%
International Equity	10.0%	8.50%
Broad Market Fixed Income	45.0%	2.50%

***Discount Rate***

The discount rate used to measure the total pension liability was 7.75% for the reporting date of September 30, 2020 (measurement date of 2019).

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

***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 of 7.75%, 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 8.75%, or 1-percentage-point higher 6.75% than the current rate:

**As of September 30, 2020:**

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
Net Pension Liability	\$ 1,630,180	\$ 384,222	\$ (661,409)

**As of September 30, 2019:**

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
Net Pension Liability	\$ 2,029,684	\$ 792,777	\$ (239,009)

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

**401(a) Money Purchase Plan**

The City offers its general employees a single employer defined contribution plan (Defined Plan) created in accordance with Internal Revenue Code Section 401(a). The Defined Plan was established as of March 7, 1994, by adoption of the City Council through Ordinance No. 1994-4. The Defined Plan, available to all full-time employees other than police, provides for an individual investment account. The Defined Plan is administered by the ICMA Retirement Corporation. The Defined Plan does not require a mandatory contribution from participants. The City is obligated to contribute 7% of gross pay for employees with less than ten years of service. Participants with at least ten years of service may elect to contribute up to 9% of gross pay, which the City is required to match. Employees are 100% vested in their personal contributions and receive 100% of investment earnings earned thereon. At September 30, 2020, 32 employees were participating in the Defined Contribution Plan.

Employees vest in the City’s contribution and the related investment earnings, based on years of service as follows:

<u>Years of Service</u>	<u>Vesting Percentage</u>
Less than One	0%
One	20%
Two	40%
Three	60%
Four	80%
Five and More	100%

Employees are eligible to participate in the Defined Plan after they have been employed for six months. The minimum age for retirement withdrawals is 55. In addition, withdrawals are permitted upon termination, disability, or death of the participant.

Payroll for Covered Employees	\$ 2,815,771
Employer Contributions Required and Actually Made – 7% of Covered Payroll	197,104

The City has no fiduciary responsibility over the Defined Plan and does not serve in an administrative capacity or give investment advice to the participants.

**Other Postemployment Benefits (OPEB)**

Pursuant to Section 112.0801 of the Florida Statutes, the City is required to permit participation in the single-employer health insurance program (the Plan) by retirees and their eligible dependents at a cost to the retiree that is no greater than the cost at which coverage is available for active participants. The Plan is not an entity unto itself and, therefore, has no separately issued financial statements.

**Plan Description**

The City provides postemployment benefits to all eligible individuals including lifetime medical, dental, and life insurance coverage. Eligible individuals include all employees of the City who retire from the City and are participating in the City’s medical program at the time of retirement. Under the medical coverage, eligible individuals also include spouses. Police members are eligible for normal retirement after attaining age 55 with 10 years of service or at any age with 25 years of service. Early retirement may be taken at any time after attaining age 50 with 10 years of service. Non-police members are eligible for normal retirement after attaining age 55 with 5 years of service.

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

Participant data of the most recent actuarial valuation date is shown below:

	<b>September 30, 2020</b>
Inactive Employees or Beneficiaries	
Currently Receiving Benefits	13
Active Employees	69
<b>Total</b>	<b>82</b>

**Funding Policy**

The required contribution is based on projected pay-as-you-go financing requirements and is subject to constant revision. The City has opted to not fund the net OPEB obligation or the resulting unfunded actuarial accrued liability on an annual basis.

**Actuarial Methods and Assumptions**

Projections of benefits for financial reporting purposes are based on the substantive plan (the Plan as understood by the employer and the Plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In any long-term actuarial valuation, certain demographic, economic, and behavioral assumptions are made concerning the population, the investment discount rates and the benefits provided. These actuarial assumptions form the basis for the actuarial model which is used to project the future population, the future benefits provided, and the contributions collected. Then the investment discount rate assumption is used to discount those projected net OPEB benefits to a present value. This and other related present values are used to calculate the annual OPEB cost.

For the October 1, 2019 actuarial valuation, the Entry Age Normal Actuarial Cost Method was used. This method determines a service cost rate as a fixed percentage of compensation for each active participant. The current years' service cost is the participant's compensation multiplied by the service cost rate. Under this method, service cost for each individual participant, payable from date of employment to date of retirement, is sufficient to pay for the participant's benefit at retirement.

Other actuarial assumptions are as follows:

Salary Increases	3.00%
Discount Rate	3.58%
Investment Rate of Return	0.0%
Healthcare Cost Trend Rates	8.00% for fiscal year-end 2019, then 7.50% in fiscal 2020, grading down to the ultimate trend rate of 4.00% in fiscal 2075.

**Mortality.** Mortality rates were based on the RP 2014 Mortality Table, fully generation with base year 2006, projected using two-dimensional mortality improvement scale MP-2017.

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

**Discount Rate.** The discount rate used to measure the total OPEB liability was 3.58% as of September 30, 2020, which is equal to the single rate of return developed pursuant to GASB Statement No. 75. The discount rate used to determine the liabilities under GASB Statement No. 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 a yield or index rate of a 20-year tax-exempt general obligation municipal bond rated AA/Aa or higher. The discount rate assumption for determining the total OPEB liability was based on 20-year Municipal GO AA 20-year yield curve rate.

**Annual OPEB Cost and OPEB Obligation**

The City’s total OPEB liability was measured as of September 30, 2020 and was determined by an actuarial valuation as of October 1, 2019.

Changes in the Total OPEB Liability:

	<b>Total OPEB Liability</b>
<b>Balance at September 30, 2019</b>	\$ 869,408
Changes for the Year:	
Service Cost	17,847
Interest	31,888
Changes in Assumptions	7,709
Benefit Payments	(22,627)
Net Changes	34,817
<b>Balance at September 30, 2020</b>	<b>\$ 904,225</b>

**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:

	1% Decrease	Discount Rate	1% Increase
<b>OPEB Liability</b>	\$ 1,049,504	\$ 904,225	\$ 788,067

**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:

	1% Decrease	Healthcare Cost Trend Rates	1% Increase
<b>OPEB Liability</b>	\$ 853,793	\$ 904,225	\$ 972,434

**OPEB Expense and Deferred Inflows of Resources Related to OPEB**

For the year ended September 30, 2020, the City recognized OPEB expense of \$55,530.



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

At September 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

<b>Deferred Outflows of Resources</b>	
Changes of Assumptions	\$ 37,941
Contributions Made after the Measurement Date	<u>25,937</u>
<b>Total Deferred Outflows of Resources</b>	<u><u>\$ 63,878</u></u>
<b>Deferred Inflows of Resources</b>	
Difference between Expected and Actual Experience	<u>\$ 26,204</u>
<b>Total Deferred Inflows of Resources</b>	<u><u>\$ 26,204</u></u>

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

<u>Year Ended September 30,</u>	<u>Amount</u>
2021	\$ 1,795
2022	1,795
2023	1,795
2024	1,795
2025	1,795
Thereafter	2,762

**Note 8 - Deferred Compensation Plan**

The City maintains for its employees a deferred compensation plan (Deferred Comp Plan) under provisions of the Internal Revenue Code Section 457. The Deferred Comp Plan, available to all full-time employees, allows participants to defer a portion of their salary until future years. Deferred Comp Plan assets are held in trust for the exclusive benefit of participants and their beneficiaries. The City has very little administrative involvement, performs no investing function, and has no fiduciary responsibility for the Deferred Comp Plan. All amounts of compensation deferred under the Deferred Comp Plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are solely the property and rights of the participants and are not subject to claims of the City's creditors. Accordingly, these Deferred Comp Plan assets are not reported as a part of these financial statements.

**Note 9 - Interlocal Agreement**

In 1985, pursuant to an interlocal agreement authorized by Florida Statutes, Section 163.01, the City joined with the City of Jacksonville Beach and the City of Atlantic Beach (Joint Venture) to construct and operate outfall lines and disposal facilities, together with all the lands, right-of-ways, easements, and other entitlements necessary for the construction and use thereof.

The construction of the outfall lines and disposal facilities was funded by the municipalities in the following proportions:

	<u>Percentage</u>
Atlantic Beach	33.06%
Jacksonville Beach	55.78%
Neptune Beach	<u>11.16%</u>
<b>Total</b>	<u><u>100.00%</u></u>

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

The City of Atlantic Beach provides all accounting and purchasing services for the Joint Venture. Repair and maintenance of the outfall lines and disposal of the facilities is shared by the participating municipalities in the percentages noted above. During fiscal year 2020, there were no significant payments made to the Joint Venture. The Joint Venture has no debt outstanding on applicable financial statements as of September 30, 2020.

**Note 10 - Risk Management**

The City is exposed to various risks of loss related to general/professional liability, automobile liability, property damage, and workers' compensation. The City purchases commercial insurance with various deductibles for different types of losses. There were no claims paid that exceeded coverage during the last three fiscal years.

The City is insured by Governmental Risk Insurance Trust (GRIT), to cover the risks of loss related to workers' compensation. The City pays GRIT premiums based on appropriate classifications and rates. The total coverage provided is \$1,000,000 bodily injury by accident, per occurrence; \$1,000,000 bodily injury by disease, per occurrence; and \$1,000,000 bodily injury by accident, injury by disease, aggregate limit. There were no claims paid that exceeded coverage in the past three fiscal years.

**Note 11 - Other Disclosures**

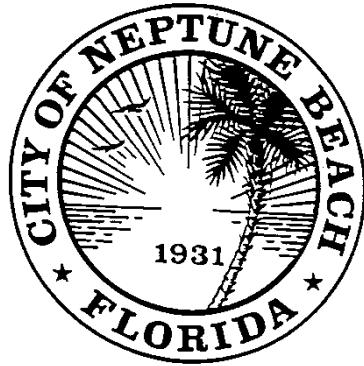
**Deficit Fund Balance/Net Position**

The following enterprise fund had a deficit fund balance/net position as of September 30, 2020:

Sanitation Fund	\$ (70,365)
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**Budget**

During the year, the General Fund Finance Department line had an excess of expenditures over the related budget of \$9,632, the General Fund City Attorney line had an excess of expenditures over the related budget of \$27,643, and the General Fund Building Department line had an excess of expenditures over the related budget of \$115,160.



# **Required Supplementary Information**

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(Unaudited)

Annual Financial Report

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2020  
CITY OF NEPTUNE BEACH, FLORIDA**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 3,616,088	\$ 3,616,088	\$ 3,577,221	\$ (38,867)
Charges for Services	12,501	12,501	15,026	2,525
Licenses and Permits	238,963	238,965	234,325	(4,640)
Intergovernmental	1,419,559	1,477,145	1,443,350	(33,795)
Fines and Forfeitures	55,595	55,595	45,512	(10,083)
Investment Income	29,775	29,775	15,460	(14,315)
Miscellaneous	119,502	119,502	166,753	47,251
<b>Total Revenues</b>	<u>5,491,983</u>	<u>5,549,571</u>	<u>5,497,647</u>	<u>(51,924)</u>
<b>Expenditures</b>				
Current:				
Mayor and Council	33,963	33,963	33,747	216
City Manager	187,968	187,969	148,199	39,770
Finance Department	136,417	136,419	146,051	(9,632)
City Attorney	150,000	150,000	177,643	(27,643)
Building Department	197,094	438,149	553,309	(115,160)
City Clerk	117,076	117,075	116,155	920
Non-Department	279,048	358,090	305,344	52,746
Police Department	3,596,021	3,806,605	3,795,835	10,770
Animal Control	70,598	70,597	69,776	821
Public Works	632,156	805,356	762,117	43,239
Lifeguards/Beach Cleanup	278,500	278,500	260,740	17,760
<b>(Total Expenditures)</b>	<u>(5,678,841)</u>	<u>(6,382,723)</u>	<u>(6,368,916)</u>	<u>13,807</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>(186,858)</u>	<u>(833,152)</u>	<u>(871,269)</u>	<u>(38,117)</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in	130,000	250,000	250,000	-
Transfers (out)	(158,500)	(125,000)	(90,201)	34,799
<b>Total Other Financing Sources (Uses)</b>	<u>(28,500)</u>	<u>125,000</u>	<u>159,799</u>	<u>34,799</u>
<b>Net Change in Fund Balance</b>	(215,358)	(708,152)	(711,470)	(3,318)
<b>Fund Balances, Beginning of Year</b>	<u>216,000</u>	<u>708,152</u>	<u>2,505,290</u>	<u>1,797,138</u>
<b>Fund Balances, End of Year</b>	<u>\$ 642</u>	<u>\$ -</u>	<u>\$ 1,793,820</u>	<u>\$ 1,793,820</u>

**BUDGETARY COMPARISON SCHEDULE  
 BETTER JACKSONVILLE HALF-CENT TAX FUND  
 FOR THE YEAR ENDED SEPTEMBER 30, 2020  
 CITY OF NEPTUNE BEACH, FLORIDA**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 507,116	\$ 507,116	\$ 505,062	\$ (2,054)
Investment Income	3,000	3,000	7,362	4,362
<b>Total Revenues</b>	<u>510,116</u>	<u>510,116</u>	<u>512,424</u>	<u>2,308</u>
<b>Expenditures</b>				
Current:				
Capital Outlay	550,000	4,742	-	4,742
<b>(Total Expenditures)</b>	<u>(550,000)</u>	<u>(4,742)</u>	<u>-</u>	<u>4,742</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>(39,884)</u>	<u>505,374</u>	<u>512,424</u>	<u>7,050</u>
<b>Other Financing Sources (Uses)</b>				
Transfers (out)	(451,000)	(996,258)	(128,824)	867,434
<b>Total Other Financing Sources (Uses)</b>	<u>(451,000)</u>	<u>(996,258)</u>	<u>(128,824)</u>	<u>867,434</u>
<b>Net Change in Fund Balance</b>	(490,884)	(490,884)	383,600	874,484
<b>Fund Balances, Beginning of Year</b>	<u>591,500</u>	<u>490,884</u>	<u>702,202</u>	<u>211,318</u>
<b>Fund Balances, End of Year</b>	<u>\$ 100,616</u>	<u>\$ -</u>	<u>\$ 1,085,802</u>	<u>\$ 1,085,802</u>

**NOTE TO THE BUDGETARY COMPARISON SCHEDULES  
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

**Note 1 - Budgetary Information**

The budget is prepared on a basis consistent with generally accepted accounting principles. The City of Neptune Beach, Florida maintains the legal level of budgetary control at the department level for all funds. Total expenditures for each fund may not exceed appropriations without Council approval.

**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS**  
**CITY OF NEPTUNE BEACH, FLORIDA**

	September 30, 2020	September 30, 2019	September 30, 2018
<b>Total Pension Liability</b>			
Service Cost	\$ 227,090	\$ 209,773	\$ 180,830
Interest	832,213	816,477	786,369
Changes in Excess State Money		-	(295,249)
Share Plan Allocation	9,335	31,455	122,043
Benefit Payments Paid due from Excess State Money Reserve	-	-	-
Differences Between Expected and Actual Experience	187,031	47,624	72,076
Changes of Assumptions	(169,198)	-	-
Contributions - Buy Back	3,708	4,969	8,394
Benefit Payments, Including Refunds of Member Contributions	(619,859)	(1,229,292)	(391,041)
Net Change in Total Pension Liability	470,320	(118,994)	483,422
Total Pension Liability - Beginning	10,821,070	10,940,064	10,456,642
Total Pension Liability - Ending (a)	<u>11,291,390</u>	<u>10,821,070</u>	<u>10,940,064</u>
<b>Plan Fiduciary Net Position</b>			
Contributions - Employer	496,735	430,046	406,116
Contributions - State	67,065	124,608	-
Contributions - Employee	120,530	104,349	98,542
Contributions - Buy Back	3,708	4,969	8,394
Net Investment Income	863,448	537,577	624,428
Benefit Payments, Including Refunds of Employee Contributions	(619,859)	(1,229,292)	(391,041)
Administrative Expense	(52,752)	(43,191)	(36,599)
Net Change in Plan Fiduciary Net Position	878,875	(70,934)	709,840
Plan Fiduciary Net Position - Beginning	10,028,293	10,099,227	9,389,387
Plan Fiduciary Net Position - Ending (b)	<u>10,907,168</u>	<u>10,028,293</u>	<u>10,099,227</u>
<b>Net Pension Liability - Ending (a) - (b)</b>	<u>\$ 384,222</u>	<u>\$ 792,777</u>	<u>\$ 840,837</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	96.60%	92.67%	92.31%
Covered Employee Payroll*	<u>\$ 1,506,625</u>	<u>\$ 1,304,356</u>	<u>\$ 1,231,774</u>
Net Pension Liability as a Percentage of Covered Employee Payroll	25.50%	60.78%	68.26%

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

Differences between Plan Fiduciary Net Position presented above and the amounts presented in the financial statements are due to certain accruals which are the result of timing differences. These differences are not considered to be significant.

**Notes to Schedule**

\* The Covered Employee Payroll numbers shown are in compliance with GASB Statement No. 83, except for September 30, 2015 measurement period which includes drop payroll.

**Changes of Benefit Terms:**

For measurement date September 30, 2020, as mandated by chapter 2015-157, Laws of Florida, the assumed rates of mortality were changed to the rates used in Milliman's July 1, 2019 FRS valuation report for special risk employees, with appropriate adjustments made based on the plan demographics.

For measurement date September 30, 2018, the following plan changes were reflected:

Pursuant to the provisions of Chapter 2015-39, the "default methodology" to calculate use of Chapter 185 premium tax revenues was applied retroactively to September 30, 2015. This methodology provided funding for a City Reserve Credit, allocations for the Share Plan, and a credit applied toward the Unfunded Actuarial Liability.

Ordinance 2015-06 passed on January 19, 2016, approving the issuance of a one-time thirteenth check for retirees. The total amount of the thirteenth checks paid was taken from the Excess State Monies reserve balance.

- Inflation rate was lowered from 3.00% to 2.50% during FY2019.

September 30, 2017	September 30, 2016	September 30, 2015	September 30, 2014
\$ 186,399	\$ 206,787	\$ 176,459	\$ 200,463
758,549	747,888	705,481	680,670
31,981	(11,031)	28,631	26,003
-	-	-	-
-	43,251	-	-
(212,331)	(95,501)	158,907	-
-	104,045	13,848	-
38,780	9,448	-	-
<u>(509,179)</u>	<u>(517,103)</u>	<u>(592,783)</u>	<u>(501,198)</u>
294,199	487,784	490,543	405,938
10,162,443	9,674,659	9,184,116	8,778,178
<u>10,456,642</u>	<u>10,162,443</u>	<u>9,674,659</u>	<u>9,184,116</u>
363,572	349,485	359,489	295,253
58,873	59,112	55,523	52,895
88,219	84,801	78,060	101,569
38,780	9,448	13,848	-
1,006,730	427,781	15,377	746,595
(509,179)	(517,103)	(592,783)	(501,198)
<u>(32,531)</u>	<u>(32,292)</u>	<u>(23,445)</u>	<u>(13,046)</u>
1,014,464	381,232	(93,931)	682,068
8,374,923	7,993,691	8,087,622	7,405,554
9,389,387	8,374,923	7,993,691	8,087,622
<u>\$ 1,067,255</u>	<u>\$ 1,787,520</u>	<u>\$ 1,680,968</u>	<u>\$ 1,096,494</u>
89.79%	82.41%	82.63%	88.06%
<u>\$ 1,102,738</u>	<u>\$ 1,060,008</u>	<u>\$ 1,330,898</u>	<u>\$ 966,824</u>
96.78%	168.63%	126.30%	113.41%

**Notes to Schedule**

For measurement date September 30, 2016, the following assumption changes have been made:

- The return assumption was lowered from 8.00% to 7.75% per year, net of investment related expenses.
- The salary increases assumption was changed from a flat 6.50% to a service-based table.
- The assumed rates of termination were changed from an age-based table to a service-based table.
- The assumed rates of normal retirement were changed from 100% at first eligibility to a table based method.
- Assumed rates of mortality were changed from RP-2000 Combined Healthy Tables to the mortality tables of special risk employees used by the Florida Retirement System in the July 1, 2015 valuation.



**SCHEDULE OF CONTRIBUTIONS  
CITY OF NEPTUNE BEACH, FLORIDA**

	September 30, 2020	September 30, 2019	September 30, 2018
Actuarially Determined Contribution	\$ 370,178	\$ 373,568	\$ 337,875
Contributions in Relation to the Actuarially Determined Contributions	554,466	523,199	442,173
Contribution (Excess) Deficiency	<u>\$ (184,288)</u>	<u>\$ (149,631)</u>	<u>\$ (104,298)</u>
Covered Employee Payroll	<u>\$ 1,506,625</u>	<u>\$ 1,304,356</u>	<u>\$ 1,231,774</u>
Contributions as a Percentage of Covered Employee Payroll	36.80%	40.11%	35.90%

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

**Notes to Schedule:**

Valuation Date: 10/1/2018

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

**Methods and Assumptions Used to Determine Contribution Rates:**

**Mortality:**

*Mortality Rate Healthy Active Lives:*

Female: PubS.H-2010 for Employees, set forward one year.

Male: PubS.H-2010 (Below Median) for Employees, set forward one year.

*Mortality Rate Retiree Lives:*

Female: PubS.H-2010 for Healthy Retirees, set forward one year.

Male: PubS.H-2010 (Below Median) for Healthy Retirees, set forward one year.

*Mortality Rate Beneficiary Lives:*

Female: PubG.H-2010 (Below Median) for Healthy Retirees.

Male: PubG.H-2010 (Below Median) for Healthy Retirees, set back one year.

*Mortality Rate Disabled Lives:*

80% PubG.H-2010 for Disabled Retirees / 20% PubS.H-2010 for Disabled Retirees.

All rates are projected generationally with Mortality Improvement Scale MP-2018.

We feel this assumption sufficiently accommodates future mortality improvements.

The previously described mortality assumption rates were mandated by Chapter 2015-157, Laws of Florida.

This law mandates the use of the assumptions used in either of the two most recent valuations of the Florida Retirement System (FRS).

The above rates are those outlined in Milliman's July 1, 2019 FRS valuation report for special risk employees, with appropriate adjustments made based on plan demographics.

**Interest Rate:**

7.75% per year compounded annually, net of investment related expenses. This is supported by the target asset allocation of the trust and the expected long-term return by asset class.

**Retirement Age:**

Years Following First Eligibility	Rate
0	50%
1	10%
2	100%

**Early Retirement:**

None

**Disability Rate:**

Age	Rate
20	0.03%
30	0.04%
40	0.07%
50	0.18%

**Termination Rate:**

Service	Rate
Less than 15 years	8.5%
15 or more years	0.0%

**Salary Increases:**

Service	Rate
Less than 5 years	16%
5-9 years	10%
10 or more years	4%

**Funding Method:**

Entry Age Normal Actuarial Cost Method.

**Asset Valuation Method:**

Each year, the prior Actuarial Value of Assets is brought forward utilizing the historical geometric 4-year average Market Value return. It is possible that over time this technique will produce an insignificant bias above or below Market Value.

September 30, 2017	September 30, 2016	September 30, 2015	September 30, 2014
\$ 351,994	\$ 380,225	\$ 322,780	\$ 322,145
390,464	376,377	386,381	322,145
<u>\$ (38,470)</u>	<u>\$ 3,848</u>	<u>\$ (63,601)</u>	<u>\$ -</u>
<u>\$ 1,102,738</u>	<u>\$ 1,060,008</u>	<u>\$ 1,330,898</u>	<u>\$ 966,824</u>
35.41%	35.51%	29.03%	33.32%

**SCHEDULE OF INVESTMENT RETURNS  
CITY OF NEPTUNE BEACH, FLORIDA**

	<u>September 30, 2020</u>	<u>September 30, 2019</u>	<u>September 30, 2018</u>	<u>September 30, 2017</u>	<u>September 30, 2016</u>	<u>September 30, 2015</u>	<u>September 30, 2014</u>
Annual Money-Weighted Rate of Return, Net of Investment Expense	8.61%	5.32%	6.63%	12.09%	5.39%	0.19%	9.98%

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

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

	<b>2020</b>	<b>2019</b>	<b>2018</b>
<b>Total OPEB Liability</b>			
Service Cost	\$ 17,847	\$ 23,999	23,300
Interest on the Total OPEB Liability	31,888	29,501	28,300
Difference between Expected and Actual Experience	-	(34,940)	-
Changes of Assumptions and Other Inputs	7,709	41,594	-
Benefit Payments	(22,627)	(19,046)	(17,800)
Net Change in Total OPEB Liability	34,817	41,108	33,800
Total OPEB Liability - Beginning	869,408	828,300	794,500
Total OPEB Liability - Ending	<u>904,225</u>	<u>869,408</u>	<u>828,300</u>
<b>Plan Fiduciary Net Position</b>			
Contributions - Employer	22,627	19,046	17,800
Benefit Payments, Including Refunds of Employer Contributions	(22,627)	(19,046)	(17,800)
Net Change in Plan Fiduciary Net Position	-	-	-
Plan Fiduciary Net Position - Beginning	-	-	-
Plan Fiduciary Net Position - Ending	<u>-</u>	<u>-</u>	<u>-</u>
Covered-Employee Payroll	<u>\$ 3,726,801</u>	<u>\$ 3,618,253</u>	<u>\$ 3,173,800</u>
Total OPEB Liability as a Percentage of Covered-Employee Payroll	24.26%	24.03%	26.10%

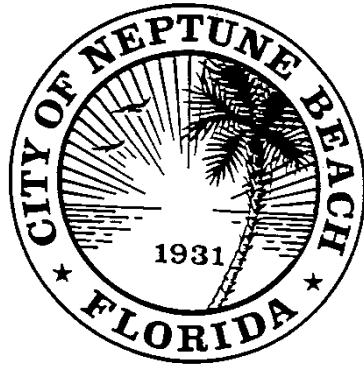
**Note to the Schedule**

No assets are being accumulated in a trust to pay for the benefits.  
Additional years will be added to this schedule annually until 10 years of data is presented.

Difference between Expected and Actual Experience. Difference between Expected and Actual Experience reflects the impact of changes to the census data from the prior valuation to the valuation as of September 30, 2018.

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

Fiscal Year Ending September 30, 2020:	3.58%
Fiscal Year Ending September 30, 2019:	3.64%
Fiscal Year Ending September 30, 2018:	3.50%



# **Combining and Individual Fund Statements and Schedules**

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Annual Financial Report

**DESCRIPTION OF NON-MAJOR GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2020**

**Special Revenue Funds**

Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

- **Police Education Fund**—This fund accounts for revenues derived from county court costs. Expenditures are used to provide criminal justice education degree programs and training courses for Police Department personnel.
- **Community Development Block Grant Fund**—This fund accounts for federal grants through the Jacksonville Entitlement program, which provides funding for community development and improvements for qualified populations within the City of Neptune Beach, Florida (the City).
- **Convention Development Tax Fund**—This fund is used to account for funds received from the levy of the local tourist development tax, which are used to promote convention and tourist development. By special act of the legislature, it can also be used for capital outlay in support of lifeguards and parks.
- **Forfeiture Proceeds Fund**—This fund accounts for revenue derived from confiscated property and cash. Proceeds are used to augment police activities.
- **Street Improvement Fund**—This fund accounts for the Eighth-Cent Gasoline Tax. The revenue is restricted per Florida Statutes and may only be used for street construction and paving.
- **Local Option Gas Tax Fund**—This fund accounts for the City's share of county gas tax revenues. Funds may be used to support capital outlay and maintenance for local roads and drainage systems.
- **Radio Communications Fund**—This fund accounts for a portion of the revenues obtained from traffic violations. Expenditures are used to enhance public safety communications and automation.
- **Holiday Décor Fund**—This fund accounts for donations received from residents to be used for holiday decorations.

**Capital Projects Funds**

Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by proprietary funds and trust funds. The City has two capital projects funds:

- **Capital Improvement Fund**—This fund accounts for capital expenditures throughout the City (other than those tracked in the Jarboe Park Capital Improvement Fund).
- **Jarboe Park Capital Improvement Fund**—This fund accounts for capital expenditures related to the Jarboe Park improvement plan.

**COMBINING BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2020  
CITY OF NEPTUNE BEACH, FLORIDA**

	Special Revenue Funds					
	Police Education Fund	Community Development Block Grant Fund	Convention Development Tax Fund	Forfeiture Proceeds Fund	Street Improvement Fund	Local Option Gas Tax Fund
<b>Assets</b>						
Equity in Pooled Cash and Cash Equivalents	\$ 15,017	\$ 79,648	\$ 73,259	\$ 4,151	\$ 55,646	\$ 101,868
Due from Other Governments	-	1,215	20,615	-	-	20,628
<b>Total Assets</b>	<u>15,017</u>	<u>80,863</u>	<u>93,874</u>	<u>4,151</u>	<u>55,646</u>	<u>122,496</u>
<b>Liabilities and Fund Balances</b>						
<b>Liabilities</b>						
Accounts Payable and	-	2,639	17	-	7,471	17,289
<b>Total Liabilities</b>	<u>-</u>	<u>2,639</u>	<u>17</u>	<u>-</u>	<u>7,471</u>	<u>17,289</u>
<b>Fund Balances</b>						
Restricted for:						
Public Safety	15,017	-	-	4,151	-	-
Capital Outlay	-	-	-	-	48,175	105,207
Other Purposes	-	-	93,857	-	-	-
Assigned:						
Community Development		78,224				
<b>Total Fund Balances</b>	<u>15,017</u>	<u>78,224</u>	<u>93,857</u>	<u>4,151</u>	<u>48,175</u>	<u>105,207</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 15,017</u>	<u>\$ 80,863</u>	<u>\$ 93,874</u>	<u>\$ 4,151</u>	<u>\$ 55,646</u>	<u>\$ 122,496</u>

Special Revenue Funds			Capital Projects Funds			Total Non-Major Governmental Funds
Radio Communi- cations Fund	Holiday Décor Fund	Total Special Revenue Funds	Capital Improvement Fund	Jarboe Park CIP Fund	Total Capital Projects Funds	
\$ 20,872	\$ 4,657	\$ 355,118	\$ 21,279	\$ 66,830	\$ 88,109	\$ 443,227
-	-	42,458	-	-	-	42,458
<u>20,872</u>	<u>4,657</u>	<u>397,576</u>	<u>21,279</u>	<u>66,830</u>	<u>88,109</u>	<u>485,685</u>
-	-	27,416	-	2,250	2,250	29,666
-	-	27,416	-	2,250	2,250	29,666
-	-	19,168	-	-	-	19,168
20,872	-	174,254	21,279	28,824	50,103	224,357
-	4,657	98,514	-	-	-	98,514
-	-	78,224	-	35,756	35,756	113,980
<u>20,872</u>	<u>4,657</u>	<u>370,160</u>	<u>21,279</u>	<u>64,580</u>	<u>85,859</u>	<u>456,019</u>
\$ 20,872	\$ 4,657	\$ 397,576	\$ 21,279	\$ 66,830	\$ 88,109	\$ 485,685



**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES  
NON-MAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2020  
CITY OF NEPTUNE BEACH, FLORIDA**

	Special Revenue Funds					
	Police Education Fund	Community Development Block Grant Fund	Convention Development Tax Fund	Forfeiture Proceeds Fund	Street Improvement Fund	Local Option Gas Tax Fund
<b>Revenues</b>						
Taxes	\$ -	\$ -	\$ 47,566	\$ -	\$ -	\$ 239,401
Fines and Forfeitures	3,542	-	-	1,617	-	-
Intergovernmental Revenues	-	33,062	-	-	54,624	-
Charges for Services	-	32,721	-	-	-	-
Investment Income	126	-	619	38	468	-
Miscellaneous	-	117,986	-	-	-	-
<b>Total Revenues</b>	<b>3,668</b>	<b>183,769</b>	<b>48,185</b>	<b>1,655</b>	<b>55,092</b>	<b>239,401</b>
<b>Expenditures</b>						
Current:						
Public Safety	852	-	-	-	-	-
Public Works	-	-	-	-	104,951	235,771
Culture and Recreation	-	136,413	8,710	-	-	-
Capital Outlay	-	-	5,138	-	-	-
<b>(Total Expenditures)</b>	<b>(852)</b>	<b>(136,413)</b>	<b>(13,848)</b>	<b>-</b>	<b>(104,951)</b>	<b>(235,771)</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>2,816</b>	<b>47,356</b>	<b>34,337</b>	<b>1,655</b>	<b>(49,859)</b>	<b>3,630</b>
<b>Other Financing Sources (Uses)</b>						
Transfers in	-	40,201	-	-	-	-
Transfers (out)	-	(20,000)	(10,000)	-	-	(16,830)
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>20,201</b>	<b>(10,000)</b>	<b>-</b>	<b>-</b>	<b>(16,830)</b>
<b>Net Change in Fund Balance</b>	<b>2,816</b>	<b>67,557</b>	<b>24,337</b>	<b>1,655</b>	<b>(49,859)</b>	<b>(13,200)</b>
<b>Fund Balances (Deficits), Beginning of Year</b>	<b>12,201</b>	<b>10,667</b>	<b>69,520</b>	<b>2,496</b>	<b>98,034</b>	<b>118,407</b>
<b>Fund Balances (Deficits), End of Year</b>	<b>\$ 15,017</b>	<b>\$ 78,224</b>	<b>\$ 93,857</b>	<b>\$ 4,151</b>	<b>\$ 48,175</b>	<b>\$ 105,207</b>

Special Revenue Funds			Capital Projects Funds			Total Non-Major Governmental Funds
Radio Communi- cations Fund	Holiday Décor Fund	Total Special Revenue Funds	Capital Improvement Fund	Jarboe Park CIP Fund	Total Capital Projects Funds	
\$ -	\$ -	\$ 286,967	\$ -	\$ -	\$ -	\$ 286,967
7,901	-	13,060	-	-	-	13,060
-	-	87,686	-	-	-	87,686
-	-	32,721	-	-	-	32,721
177	-	1,428	-	-	-	1,428
-	13,000	130,986	-	30,000	30,000	160,986
8,078	13,000	552,848	-	30,000	30,000	582,848
692	-	1,544	-	-	-	1,544
-	-	340,722	-	-	-	340,722
-	10,524	155,647	-	-	-	155,647
-	-	5,138	100,000	33,698	133,698	138,836
(692)	(10,524)	(503,051)	(100,000)	(33,698)	(133,698)	(636,749)
7,386	2,476	49,797	(100,000)	(3,698)	(103,698)	(53,901)
-	-	40,201	120,000	95,654	215,654	255,855
-	-	(46,830)	-	-	-	(46,830)
-	-	(6,629)	120,000	95,654	215,654	209,025
7,386	2,476	43,168	20,000	91,956	111,956	155,124
13,486	2,181	326,992	1,279	(27,376)	(26,097)	300,895
\$ 20,872	\$ 4,657	\$ 370,160	\$ 21,279	\$ 64,580	\$ 85,859	\$ 456,019

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL  
NON-MAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2020  
CITY OF NEPTUNE BEACH, FLORIDA**

	<b>Police Education Fund</b>			<b>Variance With Final Budget Positive (Negative)</b>
	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	
	<b>Original</b>	<b>Final</b>		
<b>Revenues</b>				
Fines and Forfeitures	\$ 5,000	\$ 3,488	\$ 3,542	\$ 54
Investment Income	12	12	126	114
<b>Total Revenues</b>	<u>5,012</u>	<u>3,500</u>	<u>3,668</u>	<u>168</u>
<b>Expenditures</b>				
Current:				
Public Safety	9,012	3,500	852	2,648
<b>(Total Expenditures)</b>	<u>(9,012)</u>	<u>(3,500)</u>	<u>(852)</u>	<u>2,648</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	(4,000)	-	2,816	2,816
<b>Fund Balances, Beginning of Year</b>	<u>4,000</u>	<u>-</u>	<u>12,201</u>	<u>12,201</u>
<b>Fund Balances, End of Year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,017</u>	<u>\$ 15,017</u>

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL  
NON-MAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2020  
CITY OF NEPTUNE BEACH, FLORIDA**

	<b>Community Development Block Grant Fund</b>			<b>Variance With Final Budget Positive (Negative)</b>
	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	
	<b>Original</b>	<b>Final</b>		
<b>Revenues</b>				
Intergovernmental Revenue	\$ 44,895	\$ 33,062	\$ 33,062	\$ -
Charges for Services	72,949	32,720	32,721	1
Miscellaneous	59,149	75,000	117,986	42,986
<b>Total Revenues</b>	<b>176,993</b>	<b>140,782</b>	<b>183,769</b>	<b>42,987</b>
<b>Expenditures</b>				
Current:				
Culture and Recreation	196,993	160,983	136,413	24,570
<b>(Total Expenditures)</b>	<b>(196,993)</b>	<b>(160,983)</b>	<b>(136,413)</b>	<b>24,570</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>(20,000)</b>	<b>(20,201)</b>	<b>47,356</b>	<b>67,557</b>
<b>Other Financing Sources (Uses)</b>				
Transfers In	20,000	40,201	40,201	-
Transfers (Out)	-	(20,000)	(20,000)	-
<b>Total Other Financing Sources (Uses)</b>	<b>20,000</b>	<b>20,201</b>	<b>20,201</b>	<b>-</b>
<b>Net Change in Fund Balance</b>	<b>-</b>	<b>-</b>	<b>67,557</b>	<b>67,557</b>
<b>Fund Balances (Deficits), Beginning of Year</b>	<b>-</b>	<b>-</b>	<b>10,667</b>	<b>10,667</b>
<b>Fund Balances (Deficits), End of Year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 78,224</b>	<b>\$ 78,224</b>

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL  
NON-MAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2020  
CITY OF NEPTUNE BEACH, FLORIDA**

	<b>Convention Development Tax Fund</b>			<b>Variance With Final Budget Positive (Negative)</b>
	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	
	<b>Original</b>	<b>Final</b>		
<b>Revenues</b>				
Taxes	\$ 29,925	\$ 26,951	\$ 47,566	\$ 20,615
Investment Income	105	105	619	514
<b>Total Revenues</b>	<u>30,030</u>	<u>27,056</u>	<u>48,185</u>	<u>21,129</u>
<b>Expenditures</b>				
Current:				
Culture and Recreation	50,030	17,056	13,848	3,208
<b>(Total Expenditures)</b>	<u>(50,030)</u>	<u>(17,056)</u>	<u>(13,848)</u>	<u>3,208</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>(20,000)</u>	<u>10,000</u>	<u>34,337</u>	<u>24,337</u>
<b>Other Financing (Uses)</b>				
Transfers (out)	(10,000)	(10,000)	(10,000)	-
<b>Total Other Financing (Uses)</b>	<u>(10,000)</u>	<u>(10,000)</u>	<u>(10,000)</u>	<u>-</u>
<b>Net Change in Fund Balance</b>	(30,000)	-	24,337	24,337
<b>Fund Balances, Beginning of Year</b>	<u>30,000</u>	<u>-</u>	<u>69,520</u>	<u>69,520</u>
<b>Fund Balances, End of Year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 93,857</u>	<u>\$ 93,857</u>

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
 FUND BALANCES - BUDGET AND ACTUAL  
 NON-MAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2020  
 CITY OF NEPTUNE BEACH, FLORIDA**

	<b>Forfeiture Proceeds Fund</b>			<b>Variance With Final Budget Positive (Negative)</b>
	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	
	<b>Original</b>	<b>Final</b>		
<b>Revenues</b>				
Fines and Forfeitures	\$ -	\$ 1,361	\$ 1,617	\$ 256
Investment Income	35	35	38	3
<b>Total Revenues</b>	<u>35</u>	<u>1,396</u>	<u>1,655</u>	<u>259</u>
<b>Expenditures</b>				
Current:				
Public Safety	1,396	1,396	-	1,396
<b>(Total Expenditures)</b>	<u>(1,396)</u>	<u>(1,396)</u>	<u>-</u>	<u>1,396</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	(1,361)	-	1,655	1,655
<b>Fund Balances, Beginning of Year</b>	<u>2,100</u>	<u>-</u>	<u>2,496</u>	<u>2,496</u>
<b>Fund Balances, End of Year</b>	<u>\$ 739</u>	<u>\$ -</u>	<u>\$ 4,151</u>	<u>\$ 4,151</u>

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL  
NON-MAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2020  
CITY OF NEPTUNE BEACH, FLORIDA**

	<b>Street Improvement Fund</b>			<b>Variance With Final Budget Positive (Negative)</b>
	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	
	<b>Original</b>	<b>Final</b>		
<b>Revenues</b>				
Intergovernmental Revenue	\$ 64,660	\$ 64,660	\$ 54,624	\$ (10,036)
Investment Income	1,050	1,050	468	(582)
<b>Total Revenues</b>	<u>65,710</u>	<u>65,710</u>	<u>55,092</u>	<u>(10,618)</u>
<b>Expenditures</b>				
Current:				
Public Works	187,736	114,603	104,951	9,652
<b>(Total Expenditures)</b>	<u>(187,736)</u>	<u>(114,603)</u>	<u>(104,951)</u>	<u>9,652</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	(122,026)	(48,893)	(49,859)	(966)
<b>Fund Balances, Beginning of Year</b>	<u>122,026</u>	<u>48,893</u>	<u>98,034</u>	<u>49,141</u>
<b>Fund Balances, End of Year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 48,175</u>	<u>\$ 48,175</u>

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL  
NON-MAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2020  
CITY OF NEPTUNE BEACH, FLORIDA**

	<b>Local Option Gas Tax Fund</b>			<b>Variance With Final Budget Positive (Negative)</b>
	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	
	<b>Original</b>	<b>Final</b>		
<b>Revenues</b>				
Taxes	\$ 272,076	\$ 262,234	\$ 239,401	\$ (22,833)
<b>Total Revenues</b>	<u>272,076</u>	<u>262,234</u>	<u>239,401</u>	<u>(22,833)</u>
<b>Expenditures</b>				
Current:				
Public Works	272,064	245,404	235,771	9,633
<b>(Total Expenditures)</b>	<u>(272,064)</u>	<u>(245,404)</u>	<u>(235,771)</u>	<u>9,633</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>12</u>	<u>16,830</u>	<u>3,630</u>	<u>(13,200)</u>
<b>Other Financing (Uses)</b>				
Transfers (out)	-	(16,830)	(16,830)	-
<b>Total Other Financing (Uses)</b>	<u>-</u>	<u>(16,830)</u>	<u>(16,830)</u>	<u>-</u>
<b>Net Change in Fund Balance</b>	12	-	(13,200)	(13,200)
<b>Fund Balances, Beginning of Year</b>	<u>80,000</u>	<u>-</u>	<u>118,407</u>	<u>118,407</u>
<b>Fund Balances, End of Year</b>	<u>\$ 80,012</u>	<u>\$ -</u>	<u>\$ 105,207</u>	<u>\$ 105,207</u>



**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
 FUND BALANCES - BUDGET AND ACTUAL  
 NON-MAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2020  
 CITY OF NEPTUNE BEACH, FLORIDA**

	<b>Radio Communication Fund</b>			<b>Variance With Final Budget Positive (Negative)</b>
	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	
	<b>Original</b>	<b>Final</b>		
<b>Revenues</b>				
Fines and Forfeiture	\$ 15,450	\$ 7,854	\$ 7,901	\$ 47
Investment Income	46	47	177	130
<b>Total Revenues</b>	<u>15,496</u>	<u>7,901</u>	<u>8,078</u>	<u>177</u>
<b>Expenditures</b>				
Current:				
Public Safety	15,497	7,901	692	7,209
<b>(Total Expenditures)</b>	<u>(15,497)</u>	<u>(7,901)</u>	<u>(692)</u>	<u>7,209</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	(1)	-	7,386	7,386
<b>Fund Balances, Beginning of Year</b>	<u>8,000</u>	<u>-</u>	<u>13,486</u>	<u>13,486</u>
<b>Fund Balances, End of Year</b>	<u>\$ 7,999</u>	<u>\$ -</u>	<u>\$ 20,872</u>	<u>\$ 20,872</u>

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL  
NON-MAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2020  
CITY OF NEPTUNE BEACH, FLORIDA**

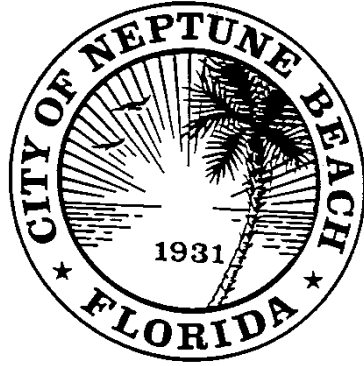
	<b>Holiday Décor Fund</b>			<b>Variance With Final Budget Positive (Negative)</b>
	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	
	<b>Original</b>	<b>Final</b>		
<b>Revenues</b>				
Investment Income	\$ 9	\$ 4	\$ -	\$ (4)
Miscellaneous	8,000	13,000	13,000	-
<b>Total Revenues</b>	<u>8,009</u>	<u>13,004</u>	<u>13,000</u>	<u>(4)</u>
<b>Expenditures</b>				
Current:				
Culture and Recreation	8,004	13,004	10,524	2,480
<b>(Total Expenditures)</b>	<u>(8,004)</u>	<u>(13,004)</u>	<u>(10,524)</u>	<u>2,480</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	5	-	2,476	2,476
<b>Fund Balances, Beginning of Year</b>	<u>500</u>	<u>-</u>	<u>2,181</u>	<u>2,181</u>
<b>Fund Balances, End of Year</b>	<u>\$ 505</u>	<u>\$ -</u>	<u>\$ 4,657</u>	<u>\$ 4,657</u>

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL  
NON-MAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2020  
CITY OF NEPTUNE BEACH, FLORIDA**

	<b>Capital Improvement Fund</b>			<b>Variance With Final Budget Positive (Negative)</b>
	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	
	<b>Original</b>	<b>Final</b>		
<b>Revenues</b>				
Interest	\$ -	\$ -	\$ -	\$ -
<b>Total Revenues</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Expenditures</b>				
Capital Outlay	138,500	120,000	100,000	20,000
<b>(Total Expenditures)</b>	<u>(138,500)</u>	<u>(120,000)</u>	<u>(100,000)</u>	<u>20,000</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>(138,500)</u>	<u>(120,000)</u>	<u>(100,000)</u>	<u>20,000</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in	138,500	120,000	120,000	-
<b>Total Other Financing Sources (Uses)</b>	<u>138,500</u>	<u>120,000</u>	<u>120,000</u>	<u>-</u>
<b>Net Change in Fund Balance</b>	-	-	20,000	20,000
<b>Fund Balances, Beginning of Year</b>	<u>-</u>	<u>-</u>	<u>1,279</u>	<u>1,279</u>
<b>Fund Balances, End of Year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,279</u>	<u>\$ 21,279</u>

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL  
NON-MAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2020  
CITY OF NEPTUNE BEACH, FLORIDA**

	Jarboe Park CIP Fund			Variance With Final Budget Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
<b>Revenues</b>				
Miscellaneous	\$ 411,800	\$ 230,000	\$ 30,000	\$ (200,000)
<b>Total Revenues</b>	<u>411,800</u>	<u>230,000</u>	<u>30,000</u>	<u>(200,000)</u>
<b>Expenditures</b>				
Current:				
Culture and Recreation	44,500	-	-	-
Capital Outlay	477,300	355,654	33,698	321,956
<b>(Total Expenditures)</b>	<u>(521,800)</u>	<u>(355,654)</u>	<u>(33,698)</u>	<u>321,956</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>(110,000)</u>	<u>(125,654)</u>	<u>(3,698)</u>	<u>121,956</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in	110,000	616,538	95,654	(520,884)
<b>Total Other Financing Sources (Uses)</b>	<u>110,000</u>	<u>616,538</u>	<u>95,654</u>	<u>(520,884)</u>
<b>Net Change in Fund Balance</b>	-	490,884	91,956	(398,928)
<b>Fund Balances, Beginning of Year</b>	-	-	(27,376)	(27,376)
<b>Fund Balances, End of Year</b>	<u>\$ -</u>	<u>\$ 490,884</u>	<u>\$ 64,580</u>	<u>\$ (426,304)</u>



# **Schedule of Expenditures of the City of Jacksonville Grant Funds**

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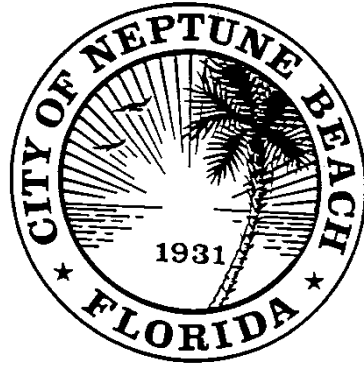
Annual Financial Report

**SCHEDULE OF EXPENDITURES OF THE CITY OF JACKSONVILLE GRANT FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2020  
CITY OF NEPTUNE BEACH, FLORIDA**

**Community Development Block Grant Funds  
Passed Through City of Jacksonville, Florida**

**Contract Number: 6494-52  
Project Number: 004604**

	<b>Approved Budget</b>	<b>Actual</b>
<b>Receipts</b>	\$ 33,062	\$ 33,062
<b>Total Receipts</b>	33,062	33,062
<b>Expenditures</b>		
Salaries/Wages	28,153	28,153
Employee Benefits	4,909	4,909
<b>(Total Expenditures)</b>	(33,062)	(33,062)
<b>Excess (Deficiencies) of Source Over (Under) Expenditures</b>	\$ -	\$ -



## Other Reports

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Annual Financial Report

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



**INDEPENDENT AUDITOR'S 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***

Honorable Mayor, City Councilors, and City Manager  
City of Neptune Beach, Florida  
Neptune Beach, Florida

We have audited, 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Neptune Beach, Florida (the City) as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated September 29, 2021.

**Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify deficiencies in internal control, described below as 2020-01 and 2020-02, as items that we consider to be material weaknesses. We also identified a deficiency in internal control, described below as 2020-03, that we consider to be a significant deficiency:

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City of Neptune Beach, Florida  
Neptune Beach, Florida

**INDEPENDENT AUDITOR'S 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***

**2020-01 – Financial Close and Reporting**

**Condition**—During the year the City experienced unexpected turnover at the finance director position. When unexpected turnover of key personnel in a small organization such as the City occurs, there is significant loss of institutional knowledge as well as a lack of familiarity with the activity being audited. As a result, final audit fieldwork had to be delayed twice because the trial balance was not complete. After the trial balance was received for the audit, significant adjustments were identified by City staff or auditors to complete the financial close for the year. During final fieldwork, we identified several areas that required audit adjustments to correct the City's accounting records. Material audit adjustments were made to correct an understatement of cash and insurance liability of approximately \$78,000, to correct an overstatement of enterprise revenues and receivables of approximately \$218,000, to record construction in progress of approximately \$29,000 in the stormwater fund, to record governmental capital asset additions of approximately \$180,000, to record governmental depreciation of approximately \$404,000, to correct governmental compensated absences by approximately \$54,000, and to correct net pension liability by approximately \$414,000.

**Effects**—As a result, the audit was not completed by the statutory due date of June 30, 2021 and the City's financial statements would have been materially misstated if adjustments noted above had not been identified during the audit process.

**Recommendation**—Although unexpected turnover of key personnel will create disruption, we recommend a review of the sufficiency of documentation of job roles, responsibilities and key financial closing processes within the finance department. Additional documentation of these items may assist with transition when unexpected turnover occurs.

**2020-02 – Cash Reconciliation**

**Condition**—During the audit, we noted that cash balances per the accounting records (trial balance) differed from the September bank reconciliation by approximately \$31,000. To date, the City has not been able to determine the cause of this difference or the appropriate correction.

**Effect**—Although this difference is not material to the financial statements as a whole, a complete and accurate reconciliation of bank account balances each month is a key internal control.

**Recommendation**—We recommend that the City evaluate its bank reconciliation process to ensure that the general ledger balance accurately reconciles to the bank account balances.

**2020-03 – Enterprise Receivables Reconciliation**

**Condition**—During the audit, we noted that the accounts receivable balance in the enterprise funds per the accounting records (trial balance) differed from the utility billing system by approximately \$34,000. To date, the City has not been able to determine the cause of this difference or the appropriate correction.

**Effect**—Although this difference is not material to the financial statements as a whole, a complete and accurate reconciliation of accounts receivable balances each month is a key internal control.

**Recommendation**—We recommend that the City evaluate its process for reviewing the accounts receivable balances to ensure that the general ledger balance accurately reconciles to the billing system.

Honorable Mayor, City Councilors, and City Manager  
City of Neptune Beach, Florida  
Neptune Beach, Florida

**INDEPENDENT AUDITOR'S 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***

**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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed the following instance of non-compliance or other matters that are required to be reported under *Government Auditing Standards*:

**2020-04 – Budgetary Compliance**

**Condition**—The City's legal level of budgetary control is the department level. During our testing of budgetary compliance, we noted over-expenditures of budget in three City departments. In the General Fund, the Finance Department had an excess of expenditures over the final budget of \$9,632, the City Attorney had an excess of expenditures over the final budget of \$27,643, and the Building Department had an excess of expenditures over the final budget of \$115,160.

**Effect**—Expenditures exceeded the legally authorized level of spending in these departments.

**Recommendation**—We recommend that the City review their processes for monitoring budget versus actual performance to ensure that expenditures do not exceed the budgeted amounts.

**Response to Findings**

The City's response to findings identified in our audit is described in its accompanying letter. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

**Purpose of this 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 the 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.



September 29, 2021  
Gainesville, Florida

## INDEPENDENT ACCOUNTANT'S REPORT ON COMPLIANCE WITH FLORIDA STATUTE SECTION 218.415 – INVESTMENTS OF PUBLIC FUNDS

Honorable Mayor, City Councilors, and City Manager  
City of Neptune Beach, Florida  
Neptune Beach, Florida

We have examined the City of Neptune Beach, Florida's (the City) compliance with Section 218.415, Florida Statutes, during the fiscal year ended September 30, 2020. 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. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the City complied, in all material respects, with the requirements referenced above. An examination involves performing procedures to obtain evidence about whether the City complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material non-compliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

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

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

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



September 29, 2021  
Gainesville, Florida

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## MANAGEMENT LETTER

Honorable Mayor, City Councilors, and City Manager  
City of Neptune Beach, Florida  
Neptune Beach, Florida

### Report on the Financial Statements

We have audited the financial statements of the City of Neptune Beach, Florida (the City) as of and for the fiscal year ended September 30, 2020, and have issued our report thereon dated September 29, 2021.

### Auditor's Responsibility

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

### Other Reporting Requirements

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of 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, which are dated September 29, 2021, should be considered in conjunction with this management letter.

### Prior Audit Findings

Section 10.554(1)(i)1., *Rules of the Auditor General*, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding financial audit report. Corrective actions have been taken to address findings and recommendations made in the preceding financial audit report, except for 2019-01, which is repeated this year as 2020-01.

### Official Title and Legal Authority

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

### Financial Condition and Management

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

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Honorable Mayor, City Councilors, and City Manager  
City of Neptune Beach, Florida  
Neptune Beach, Florida

## MANAGEMENT LETTER

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

### **2020-05 – Sanitation Fund Deficit Cash Position**

Sanitation Fund operating expenses continue to exceed revenues; as a result the fund has a negative cash and fund balance position at year-end. The negative cash position has been temporarily eliminated by an interfund loan. We recommend that the City review sanitation costs and rates if the intent is for sanitation services to pay for themselves or, if not, budget transfers in from other funds to make up the operating deficits.

### **Special District Component Units**

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

### **Additional Matters**

Section 10.554(1)(i)3., *Rules of the Auditor General*, requires us to communicate 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 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, the Council Members, and applicable management, and is not intended to be, and should not be, used by anyone other than these specified parties.

We wish to take this opportunity to thank you and your staff for the cooperation and courtesies extended to us during the course of our audit. Please let us know if you have any questions or comments concerning this letter, our accompanying reports, or other matters.



September 29, 2021  
Gainesville, Florida



**Stefen Wynn, M.P.A.**  
City Manager

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

September 29<sup>th</sup>, 2021

**RE: Response to Management Letter Dated September 29, 2021**

## **Management Letter**

### **2020-01 – Financial Close and Reporting**

**Condition** – During the year the City experienced unexpected turnover at the finance director position. When unexpected turnover of key personnel in a small organization such as the City occurs, there is significant loss of institutional knowledge as well as a lack of familiarity with the activity being audited. As a result, final audit fieldwork had to be delayed twice because the trial balance was not complete. After the trial balance was received for the audit, significant adjustments were identified by City staff or auditors to complete the financial close for the year. During final fieldwork, we identified several areas that required audit adjustments to correct the City’s accounting records. Material audit adjustments were made to correct an understatement of cash and insurance liability of approximately \$78,000, to correct an overstatement of enterprise revenues and receivables of approximately \$218,000, to record construction in progress of approximately \$29,000 in the stormwater fund, to record governmental capital asset additions of approximately \$180,000, to record governmental depreciation of approximately \$404,000, to correct governmental compensated absences by approximately \$54,000, and to correct net pension liability by approximately \$414,000.

**Effect** – As a result, the audit was not completed by the statutory due date of June 30, 2021 and the City’s financial statements would have been materially misstated if adjustments noted above had not been identified during the audit process.

**Recommendation** – Although unexpected turnover of key personnel will create disruption, we recommend a review of the sufficiency of documentation of job roles, responsibilities and key financial closing processes within the finance department. Additional documentation of these items may assist with transition when unexpected turnover occurs.

### **Management Response to Comment 2020-01**

The City did experience unexpected turnover early in 2020 with the Chief Financial Officer, and again experienced unexpected turnover with the City’s Accountant, a long-tenured employee. The City understands the importance of continuity of operations in the event of periodic absences or unexpected turnover of key personnel. With the departure of key staff in the Finance Department, the City has taken the opportunity to evaluate job roles and responsibilities, and is in the process of creating desk manuals to better understand and update position processes.

### **2020-02 – Cash Reconciliation**

**Condition** – During the audit, we noted that cash balances per the accounting records (trial balance) differed from the September bank reconciliation by approximately \$31,000. To date, the City has not been able to determine the cause of this difference or the appropriate correction.

**Effect**- Although this difference is not material to the financial statements as a whole, a complete and accurate reconciliation of bank account balances each month is a key internal control

**Recommendation** – We recommend that the City evaluate its bank reconciliation process to ensure that the general ledger balance accurately reconciles to the bank account balances.

### **Management Response to Comment 2020-02**

Management concurs with the recommendation and recognizes that monthly reconciliation of bank accounts to the general ledger is a key internal control. Procedures are being updated to ensure monthly reconciliation of bank statements happens in a timely and accurate manner. Department Heads, employees in the Finance Department and Utility Billing employees completed an Internal Controls training on 9/28/2021.

### **2020-03 Enterprise Receivables Reconciliation**

**Condition** – During the audit, we noted that the accounts receivable balance in the enterprise funds per the accounting records (trial balance) differed from the utility billing system by approximately \$34,000. To date, the City has not been able to determine the cause of this difference or the appropriate correction.

**Effect** – Although this difference is not material to the financial statements as a whole, a complete and accurate reconciliation of accounts receivable balances each month is a key internal control.

**Recommendation** – We recommend that the City evaluate its process for reviewing the accounts receivable balances to ensure that the general ledger balance accurately reconciles to the billing system.

### **Management Response to Comment 2020-03**

Management concurs with the recommendation and recognizes that reconciliation of the accounts receivable balances to the general ledger is a key internal control. Management is currently documenting the process to ensure that the general ledger accounts and the accounts receivable balances reconcile to the billing system on a monthly basis.

### **2020-04 Budgetary Compliance**

**Condition** – The City’s legal level of budgetary control is the department level. During our testing of budgetary compliance, we noted over-expenditures of budget in three City departments. In the General Fund, the Finance Department had an excess of expenditures over the final budget of \$9,632, the City Attorney had an excess of expenditures over the final budget of \$27,643, and the Building Department had an excess of expenditures over the final budget of \$115,160.



#### **Management Response to Comment 2020-04**

Management understands the need to provide timely and accurate reporting to City Departments in order to ensure better management of their respective budgets. The City intends to implement an integrated, "enterprise" suite to provide more automation and visibility into its operations.

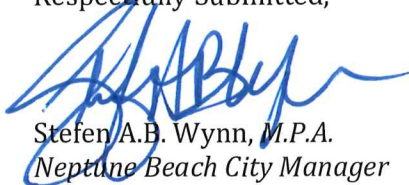
#### **2020-05 Sanitation Fund Deficit Cash Position**

**Condition** – Sanitation Fund operating expenses continue to exceed revenues; as a result the fund has negative cash and fund balance position at year-end. The negative cash position has been temporarily eliminated by an interfund loan. We recommend that the City review sanitation costs and rates if the intent is for sanitation services to pay for themselves or, if not, budget transfers in from other funds to make up the operating deficits.

#### **Management Response to Comment 2020-05**

Upon analysis of the fund during the FY-2022 budget process, Management has made adjustments to personnel allocations that better reflect reality. In doing so, the adjustments reduced operating expenditures. Management will continue to closely monitor the fund to ensure that sanitation services do not operate at a loss.

Respectfully Submitted,



Stefan A.B. Wynn, M.P.A.  
Neptune Beach City Manager  
116 First Street  
Neptune Beach, Fl. 32266  
[cm@nbfl.us](mailto:cm@nbfl.us)

Honorable Mayor, City Councilors, and City Manager  
City of Neptune Beach, Florida  
Neptune Beach, Florida

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Neptune Beach, Florida (the City) for the year ended September 30, 2020. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated July 2, 2020. Professional standards also require that we communicate to you the following information related to our audit:

## **Significant Audit Matters**

### **Qualitative Aspects of Accounting Practices**

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in Note 1 to the financial statements. No new accounting policies were adopted, and the application of existing policies was not changed during 2020. We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the City's financial statements were:

- Management's estimate of depreciation and accumulated depreciation, which is based on the useful lives determined by asset type.
- Management's estimate of the allowance for uncollectible accounts, which is based on historical trends and analysis of the collectability of individual accounts.
- Management's estimate of the other postemployment retirement benefits obligation is based on an actuarial valuation performed by a qualified actuary. These assumptions, if changed, could have a significant impact on the recorded amounts.

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City of Neptune Beach, Florida  
Neptune Beach, Florida

- Management's estimate of the net pension liability for the City's defined benefit pension plan is based on the actuarial valuation performed by a qualified actuary. As permitted by Governmental Accounting Standards Board Statement No. 68, the City elected to use a measurement date to record the net pension liability and related deferred inflows and outflows, that is one year prior to the reporting date. The net pension liability represents the difference between the value of pension plan assets and the total pension liability, which is measured using various actuarial assumptions. These assumptions, if changed, could have a significant impact on the recorded amounts.

We evaluated the key factors and assumptions used to develop the estimates described above in determining that they are reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

#### **Difficulties Encountered in Performing the Audit**

Completion of the audit was significantly delayed due to turnover in the City's finance department and turnover on the audit team.

#### **Corrected and Uncorrected Misstatements**

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The attached material misstatements detected as a result of audit procedures were corrected by management.

#### **Disagreements with Management**

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

#### **Management Representations**

We have requested certain representations from management that are included in the management representation letter dated September 29, 2021.

#### **Management Consultations with Other Independent Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the City's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

#### **Other Audit Findings or Issues**

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Honorable Mayor, City Councilors, and City Manager  
City of Neptune Beach, Florida  
Neptune Beach, Florida

**Other Matters**

We applied certain limited procedures to the required supplementary information (RSI) (as described in the table of contents to the financial statements) which supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the supplementary information (as described in the table of contents), which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

**Restriction on Use**

This information is intended solely for the use of the City Council and management of the City and is not intended to be, and should not be, used by anyone other than these specified parties.



September 29, 2021  
Gainesville, Florida

**City of Neptune Beach**

Year End: September 30, 2020

Trial balance

Date: 10/1/2019 To 9/30/2020

Date	Name	Account No	Debit	Credit
9/30/2020	VOUC HERS PAYABLE CLEARING ACCOUNT	801-0000-201-00-00 801	78,367.41	
9/30/2020	PAYROLL FUND CASH ACCOUNT	801-0000-251-80-20 801		-78,367.41
9/30/2020	POOLED CASH ACCOUNT	802-0000-101-00-00 802	78,367.41	
9/30/2020	MEDICAL INS. / EMPLOYEE DEDUCTIONS	802-0000-218-50-10 802		-10,413.13
9/30/2020	MEDICAL INS. / EMPLOYER SHARE	802-0000-218-50-20 802		-59,603.19
9/30/2020	DENTAL INSURANCE	802-0000-218-52-10 802		-2,350.29
9/30/2020	TRANSAMERICA INS DEDUCTIONS	802-0000-218-55-20 802		-324.34
9/30/2020	VOLUNTARY LIFE INSURANCE / EMPLOYEE	802-0000-218-60-10 802		-603.18
9/30/2020	VOLUNTARY LIFE INSURANCE / EMPLOYEE	802-0000-218-60-10 802		-564.85
9/30/2020	CITY PROVIDED LIFE INS/EMPLOYER	802-0000-218-60-20 802		-3,722.44
9/30/2020	METLIFE VOLUNTARY VISION	802-0000-218-80-40 802		-454.04
9/30/2020	PREPAID LEGAL	802-0000-218-80-50 802		-331.95

Audit Entry - Match PBC Entry requested by auditor to reverse cash disposal that occurred after year-end.

9/30/2020	IMPROVEMENTS, NOT BUILDINGS	401-0000-164-00-00 401		-269,572.94
9/30/2020	Retained Earnings	401-0000-271-00-00 401	243,706.17	
9/30/2020	Transfer to 401	401-4381-581-90-41 401	25,866.77	
9/30/2020	ALLOWANCE FOR DEPRECIATION	405-0000-167-00-00 405	10,708.73	
9/30/2020	Wastewater Lines	405-0000-169-10-02 405	243,706.17	
9/30/2020	Retained Earnings	405-0000-271-00-00 405		-243,706.17
9/30/2020	DEPRECIATION EXPENSE	405-4335-535-30-99 405		-10,708.73
9/30/2020	Allowance For Depreciation	407-0000-167-00-00 407		-10,708.73
9/30/2020	Depreciation Expense	407-4381-581-30-99 407	10,708.73	
9/30/2020	ALLOWANCE FOR DEPRECIATION	441-0000-167-00-00 441	14,957.83	
9/30/2020	Construction in Progress	441-0000-169-50-00 441	29,469.48	
9/30/2020	Transfer from 401	441-0000-381-41-00 441		-25,866.77
9/30/2020	Transfer from 500	441-0000-381-50-00 441		-3,611.23
9/30/2020	DEPRECIATION EXPENSE	441-1441-541-30-99 441		-14,949.31
9/30/2020	Paid Parking-Allowance For Depreciation	500-0000-167-00-00 500	9,410.05	
9/30/2020	Paid Parking-Miscellaneous	500-1550-541-30-90 500		-7,613.28
9/30/2020	Paid Parking-Depreciation Expense	500-1550-541-30-99 500		-5,408.00
9/30/2020	Transfer to 441	500-1550-581-90-41 500	3,611.23	

Auditor proposed AJE to match ending capital asset balances to the capital asset spreadsheet.

9/30/2020	BUILDING IMPROVEMENTS	901-0000-162-20-00 901	50,399.48	
9/30/2020	IMPROVEMENTS, NOT BUILDINGS	901-0000-164-00-00 901	7,930.75	
9/30/2020	COMPUTER EQUIPMENT & SOFTWARE	901-0000-166-10-00 901		-1,498.00
9/30/2020	HEAVY EQUIPMENT	901-0000-166-30-00 901		-1,084.00
9/30/2020	LIGHT EQUIPMENT	901-0000-166-40-00 901	44,147.77	
9/30/2020	VEHICLES	901-0000-166-50-00 901	39,478.65	
9/30/2020	Accumulated Depreciation	901-0000-167-00-00 901		-250,386.02
9/30/2020	CONSTRUCTION IN PROGRESS	901-0000-169-00-00 901	38,835.54	
9/30/2020	Depreciation Expense - Gov't	901-0000-185-10-00 901	40,761.15	
9/30/2020	Depreciation Expense - Public Safety	901-0000-185-20-00 901	154,946.30	
9/30/2020	Depreciation Expense - Public Works	901-0000-185-30-00 901	124,663.98	
9/30/2020	Depreciation Expense - Culture & Rec	901-0000-185-40-00 901	83,387.87	
9/30/2020	INVESTMENT IN FIXED ASSETS	901-0000-280-00-00 901		-333,974.31
9/30/2020	Loss on Disposal	901-0000-500-30-90 901	2,390.84	

Auditor entry to post governmental capital asset additions and disposals to the account group.

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9/30/2020	COMPENSATED ABSENCES	954-0000-188-10-00 954	54,008.57	
9/30/2020	OTHER LONG-TERM LIABILITY	954-0000-239-00-00 954		-54,008.57

Audit entry to match compensated absences to client provided schedule.

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9/30/2020	ACCOUNTS PAYABLE	001-0000-202-00-00 001		-34.46
9/30/2020	ACCOUNTS PAYABLE	001-0000-202-00-00 001		-10,594.88
9/30/2020	ACCOUNTS PAYABLE	001-0000-202-00-00 001		-10,500.00
9/30/2020	ACCOUNTS PAYABLE	001-0000-202-00-00 001		-150.00
9/30/2020	ACCOUNTS PAYABLE	001-0000-202-00-00 001		-95.00
9/30/2020	PROFESSIONAL SERVICES	001-1114-514-30-31 001	10,500.00	
9/30/2020	PROFESSIONAL SERVICES	001-1114-514-30-31 001	95.00	
9/30/2020	UTILITIES	001-1119-519-30-43 001	1,265.73	
9/30/2020	VIRUS EXPENDITURES	001-1119-519-90-66 001	150.00	
9/30/2020	UTILITY SERVICES	001-1221-521-30-43 001	34.46	
9/30/2020	OTHER CONTRACTUAL SERVICES	001-1441-541-30-34 001	350.68	
9/30/2020	UTILITY SERVICES	001-1441-541-30-43 001	8,960.00	
9/30/2020	UTILITY SERVICES	001-1775-575-30-43 001	18.47	
9/30/2020	ACCOUNTS PAYABLE	401-0000-202-00-00 401		-20,591.59
9/30/2020	UTILITY SERVICES	401-4335-535-30-43 401	14,193.05	
9/30/2020	UTILITY SERVICES	401-4336-536-30-43 401	6,398.54	
9/30/2020	ACCOUNTS PAYABLE	441-0000-202-00-00 441		-13,752.00
9/30/2020	IMPROVEMENTS, NOT BUILDINGS	441-1441-541-60-63 441	13,752.00	
9/30/2020	Paid Parking-Accounts Payable	500-0000-202-00-00 500		-77.24
9/30/2020	Paid Parking-Utilities	500-1550-541-30-43 500	77.24	

Audit Entry - Match PBC entry made to accrue liabilities discovered by auditor in the SFUL.

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9/30/2020	PREPAID EXPENSES	802-0000-155-00-00 802	17,620.00	
9/30/2020	WORKERS COMP / EMPLOYER SHARE	802-0000-218-24-20 802		-17,620.00

Audit Entry - Match PBC entry that was requested by auditor to correct the double reversal of prepaid workers compensation.

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9/30/2020	GLTDAC- -DEFERRED PENSION OUTFLOW	954-0000-190-00-00 954		-5,711.27
9/30/2020	GLTDAC- - -NET PENSION LIABILITY	954-0000-239-90-00 954		-408,555.00
9/30/2020	Retained Earnings	954-0000-271-00-00 954	414,266.27	

Proposed audit entry to match Net Pension Liability to the 2019 actuarial amount instead of 2020, in accordance with the City's policy of using a measurement date of one year prior to the reporting date.

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9/30/2020	ACCOUNTS RECEIVABLE	401-0000-115-00-00 401		-168,648.69
9/30/2020	WATER VOLUME CHARGE	401-0000-343-31-16 401	53,590.19	
9/30/2020	SEWER VOLUME CHARGE	401-0000-343-51-16 401	115,058.50	
9/30/2020	ACCOUNTS RECEIVABLE	430-0000-115-00-00 430		-53,790.96
9/30/2020	GARBAGE PICKUP	430-0000-343-41-42 430	53,790.96	
9/30/2020	ACCOUNTS RECEIVABLE	441-0000-115-00-00 441	4,908.49	
9/30/2020	STORMWATER UTILITY FEES	441-0000-343-71-10 441		-4,908.49

Correct client entry #217074 to correctly post offset of unbilled receivables to AR instead of revenue.

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