

**CITY OF ST. AUGUSTINE BEACH, FLORIDA**

**FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2022**

**CITY OF ST. AUGUSTINE BEACH, FLORIDA  
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SEPTEMBER 30, 2022**

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## INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor, City Commission, and City Manager,  
City of St. Augustine Beach, Florida:

### **Report on the Audit of the Financial Statements**

#### ***Opinions***

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of St. Augustine Beach, Florida (the City), as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2022, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinions***

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

#### ***Emphasis of Matter – Implementation of New Accounting Standard***

The City adopted the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, (GASB 87), no restatement of the beginning fund balance or net position was required as a result of the implementation of GASB 87, as described further in Note (14) to the financial statements. Our opinion is not modified with respect to these matters.

#### ***Responsibilities of Management for the Financial Statements***

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

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

### ***Auditors' Responsibilities for the Audit of the Financial Statements***

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

In performing an audit in accordance with GAAS, we:

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

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

### ***Required Supplementary Information***

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

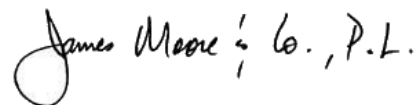
### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The schedule of expenditures of federal awards, as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), is presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates 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.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 28, 2023, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

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

Daytona Beach, Florida  
March 28, 2023

**CITY OF ST. AUGUSTINE BEACH  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2022**

As management of the City of St. Augustine Beach (the City), we offer readers of the City of St. Augustine Beach's financial statements this narrative overview and analysis of the finance activities of the City of St. Augustine Beach for the fiscal year ended September 30, 2022.

**Financial Highlights**

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$31,421,728 (net position). The governments' total net position increased by \$8,568,771.
- As of the close of the current fiscal year, the City of St. Augustine Beach's governmental funds reported a combined ending fund balance of \$12,568,172, an increase of \$4,439,196. The unassigned General Fund balance available for spending at the City's discretion is \$3,709,218.

**Overview of the Financial Statements**

This discussion and analysis are 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.

**Government-wide Financial Statements**

The government-wide financial statements are designed to provide readers with a broad overview of the City of St. Augustine Beach'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, liabilities, and deferred inflows, with the balance reported as net position. Over time, increases and 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 has changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both 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, physical environment (solid waste), human services, transportation, and culture recreation. The City currently does not have any functions that would be classified as business-type activities.

**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 of St. Augustine Beach, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**CITY OF ST. AUGUSTINE BEACH  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2022**

**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 statements focus on the 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 at 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 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 government funds and governmental activities.

The City maintains six major 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, road and bridge fund, debt service fund, Weir Project fund, ARPA fund, and impact fee fund.

The City of St. Augustine Beach adopts annual appropriated budgets for all funds. Budgetary comparison schedules have been provided for these funds to demonstrate compliance with these budgets.

**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.

**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 of St. Augustine Beach, assets and deferred outflows exceeded liabilities and deferred inflows by \$31,421,728 or a 37.5% increase at the close of the most recent fiscal year. The following table reflects the condensed statement of net position for the current and prior years. For a more detail see the Statement of Net Position on page 9.

**Net Position**

	<u>2022</u>	<u>2021</u>
Current and Other Assets	\$ 13,345,325	\$ 8,413,109
Capital Assets	31,938,656	29,030,026
Total Assets	<u>45,283,981</u>	<u>37,443,135</u>
Deferred Outflows of Resources	1,593,885	1,263,385
Long-term Liabilities Outstanding	14,270,613	11,737,910
Other Liabilities	866,997	379,273
Total Liabilities	<u>15,137,610</u>	<u>12,117,183</u>
Deferred Inflows of Resources	<u>318,528</u>	<u>3,735,930</u>
Net Position:		
Net Investment in Capital Assets	24,860,334	21,628,343
Restricted	2,822,197	2,467,871
Unrestricted	3,739,197	(1,243,257)
Total Net Position	<u>\$ 31,421,728</u>	<u>\$ 22,852,957</u>

**CITY OF ST. AUGUSTINE BEACH  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2022**

At the end of the current fiscal year, the government's liabilities increased by \$3,019,977 or 24.9% which can be attributed to an increase in Long-Term Liabilities of \$2,532,703, comprised of a \$3,878,070 increase in Net Pension Liability, offset by an \$1,072,808 decrease in Total OPEB Liability. At the end of the current fiscal year, the government's assets increased by \$7,840,846 or 20.9% which can be attributed to an increase in Cash of \$4,975,471, comprised primarily of additional funds received under the Coronavirus State and Local Fiscal Recovery Funds (ARPA) grant program to help recoup lost revenue due to the COVID-19 pandemic.

Seventy-nine percent (79%) of the City's net position reflect its investment in capital assets (e.g. land, buildings, improvements, infrastructure, and equipment) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of St. Augustine Beach's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City of St. Augustine Beach's net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of Net Position is unrestricted and may be used to meet the governments ongoing obligations to citizens and creditors.

The government's net position increased by \$8,568,771 in the current fiscal year. The following table reflects the condensed Statement of Activities for the current and prior years. See page 10 for more detail.

**Statement of Activities**

	<b>2022</b>	<b>2021</b>
Revenues:		
Program Revenues:		
Charges for Services	\$ 1,782,828	\$ 1,415,859
Operating Grants and Contributions	3,858,370	822,791
Capital Grants and Contributions	2,253,032	633,698
General Revenues:		
Property Taxes	4,355,314	4,174,399
Other Taxes	2,915,035	2,984,185
Other	90,314	23,785
Total Revenues	15,254,893	10,054,717
Expenses:		
General Government	1,771,684	1,933,492
Public Safety	2,621,404	3,021,522
Physical Environment	1,143,432	1,312,948
Transportation	684,468	803,205
Culture and Recreation	251,459	264,677
Interest on Long-term Debt	213,675	226,755
Total Expenses	6,686,122	7,562,599
Change in Net Position	8,568,771	2,492,118
Net Position - October 1	22,852,957	20,360,839
Net Position - September 30	\$ 31,421,728	\$ 22,852,957



**CITY OF ST. AUGUSTINE BEACH  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2022**

**Financial Analysis of the 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 assess the City of St. Augustine Beach's financing requirements. Unassigned fund balance may serve as a useful measure of a City's net resources available for spending at the end of the fiscal year. As of September 30, 2022, fund balances were \$12,568,172, an increase of \$4,439,196 in comparison with the prior year. This includes \$3,709,218 in Unassigned Fund Balance for the General Fund which would be available for spending at the City's discretion.

The General Fund's fund balance increased by \$697,481, from \$3,844,925 to \$4,542,406. The increase in fund balance is a result of excess revenues over expenditures due to projects not completed or delayed due to the availability and cost of materials.

The Road and Bridge fund balance increased by \$218,097, from \$4,340 to \$222,437. The increase is fund balance is a result of excess revenues from Local Option gas taxes not utilized in the current year.

The Debt Service fund has a fund balance of \$3,530,509. This is an increase of \$518,101 in comparison with the prior year. The revenues are generated from voted debt millage of 0.5 mills and transfers from General Fund per the requirement to budget and appropriate funds for the 2016A, 2016B, and 2016D revenue bonds. The voted debt millage is set to sunset in 2028, at which time a portion of the fund balance will satisfy the remaining debt service payments for the 2009 and 2016C revenue bonds.

The Weir Project fund has a fund deficit of \$357,402, a \$275,095 increase in the deficit from the prior year. This balance will be resolved in the next fiscal year when reimbursements are received and balance transfers from General Fund are recognized.

The ARPA fund was established this year to account for funds received under the ARPA grant program. Fund balance for this year reflects \$3,129,701.

The Impact Fee fund's fund balance increased by \$150,911, from \$1,349,610 to \$1,500,521. This is due to the collection of additional impact fees over the course of the year.

**Budgetary Highlights**

The City continues monitoring the status of intergovernmental revenues during the first quarter of the fiscal year. As is typical, the budget is reevaluated at the six-month mark and adjusted where necessary.

General Fund

A comparison of the budget versus actual for the General Fund can be found on page 35. As of September 30, 2022, the City received more than the overall budgeted amount for revenues and spent less than the budgeted amounts for expenditures.

Road and Bridge Fund

A comparison of the budget versus actual for the Road and Bridge Fund can be found on page 36. This comparison reflects a less than \$1,000 variance between actual and budget.

**CITY OF ST. AUGUSTINE BEACH  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2022**

**Capital Assets**

The City's investment in capital assets as of September 30, 2022, amounts to \$31,938,656 (net of accumulated depreciation). See Note 6 for details. Capital assets include land, buildings and improvements, machinery and equipment, and infrastructure. The total increase in the City's investment in capital assets net of depreciation for the current fiscal year was 10.0%.

**Debt Administration**

The City decreased its notes and bonds payable during the current fiscal year by \$491,350, due to its normally scheduled debt service payments, which is a decrease of 6.9% percent. Leases payable increased by \$293,497 due to new leases and implementation of GASB Statement No. 87, *Leases*, and decreased by \$125,508, due to normal lease payments made during the year for a net increase of \$167,989 or 59.8%. See Notes 7 and 8 for details.

**Economic Factors**

The City continues to monitor the course of the pandemic and impacts on the local economy, as well as state revenues. The City recognizes the increase in the cost of living impacts to the community and its employees and will continue to monitor the situation for future developments.

**Request for Information**

This financial report is designed to provide a general overview of the City's finances for all of those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Finance Director, 2200 A1A South, St. Augustine Beach, Florida 32080.

**CITY OF ST. AUGUSTINE BEACH, FLORIDA**  
**STATEMENT OF NET POSITION**  
**SEPTEMBER 30, 2022**

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 10,093,498
Investments	2,338,007
Receivables, net	213,347
Due from other governments	616,586
Inventories	7,152
Prepays	76,735
Capital assets:	
Non-depreciable capital assets	17,898,033
Other capital assets, net of depreciation	14,040,623
Total assets	45,283,981
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows related to pensions	1,593,885
Total deferred outflows of resources	1,593,885
<b>LIABILITIES</b>	
Accounts payable	589,417
Accrued payroll and employee benefits	166,703
Customer deposits	900
Unearned revenue	8,900
Due to other governments	11,233
Accrued interest payable	89,844
Noncurrent liabilities:	
Due within one year:	
Bonds and notes payable	549,245
Leases	161,394
Compensated absences	73,789
Due in more than one year:	
Bonds and notes payable	6,080,287
Leases	287,396
Compensated absences	341,208
Total OPEB liability	875,253
Net pension liability	5,902,041
Total liabilities	15,137,610
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows related to pensions	318,528
Total deferred inflows of resources	318,528
<b>NET POSITION</b>	
Net investment in capital assets	24,860,334
Restricted for:	
Capital expansion	1,500,521
Transportation	222,437
Law enforcement - forfeiture and seizure	48,533
Building code enforcement	700,768
Debt service	349,938
Unrestricted	3,739,197
Total net position	\$ 31,421,728

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

**CITY OF ST. AUGUSTINE BEACH, FLORIDA  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Governmental activities:					
General government	\$ 1,771,684	\$ 19,180	\$ 751,996	\$ 55,431	\$ (945,077)
Public safety	2,621,404	618,757	1,762,726	9,080	(230,841)
Physical environment	1,143,432	1,101,986	1,179,475	-	1,138,029
Transportation	684,468	36,380	104,673	2,114,196	1,570,781
Culture and recreation	251,459	6,525	59,500	74,325	(111,109)
Interest on long-term debt	213,675	-	-	-	(213,675)
Total governmental activities	<u>\$ 6,686,122</u>	<u>\$ 1,782,828</u>	<u>\$ 3,858,370</u>	<u>\$ 2,253,032</u>	<u>1,208,108</u>
General revenues:					
Property taxes					4,355,314
Sales and use taxes					1,218,825
Franchise and utility taxes					587,227
Public service taxes					733,423
Other taxes and fees					375,560
Investment earnings (loss)					30,570
Miscellaneous revenues					12,039
Gain on sale of capital asset					47,705
Total general revenues					<u>7,360,663</u>
Change in net position					8,568,771
Net position - beginning					22,852,957
Net position - ending					<u>\$ 31,421,728</u>

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

**CITY OF ST. AUGUSTINE BEACH, FLORIDA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2022**

	<u>General Fund</u>	<u>Road and Bridge</u>	<u>Debt Service</u>	<u>Weir Project</u>	<u>ARPA</u>	<u>Impact Fee</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>							
Cash and cash equivalents	\$ 1,778,834	\$ 43,039	\$ 3,090,749	\$ -	\$ 3,137,101	\$ 1,603,993	\$ 9,653,716
Cash with fiscal agent	-	-	439,782	-	-	-	439,782
Investments	2,330,321	7,686	-	-	-	-	2,338,007
Receivables, net	213,347	-	-	-	-	-	213,347
Due from other governments	359,267	-	188	257,131	-	-	616,586
Due from other funds	775,961	481,990	-	-	12,378	11,600	1,281,929
Inventories	7,152	-	-	-	-	-	7,152
Prepaid items	76,735	-	-	-	-	-	76,735
Total assets	<u>\$ 5,541,617</u>	<u>\$ 532,715</u>	<u>\$ 3,530,719</u>	<u>\$ 257,131</u>	<u>\$ 3,149,479</u>	<u>\$ 1,615,593</u>	<u>\$ 14,627,254</u>
<b>LIABILITIES</b>							
Accounts payable	\$ 344,529	\$ -	\$ -	\$ 113,830	\$ 19,778	\$ 111,280	\$ 589,417
Accrued liabilities	166,703	-	-	-	-	-	166,703
Unearned revenue	8,900	-	-	-	-	-	8,900
Due to other governments	9,941	-	-	-	-	1,292	11,233
Due to other funds	468,238	310,278	210	500,703	-	2,500	1,281,929
Customer deposits	900	-	-	-	-	-	900
Total liabilities	<u>999,211</u>	<u>310,278</u>	<u>210</u>	<u>614,533</u>	<u>19,778</u>	<u>115,072</u>	<u>2,059,082</u>
<b>FUND BALANCES</b>							
Nonspendable:							
Inventories	7,152	-	-	-	-	-	7,152
Prepaid items	76,735	-	-	-	-	-	76,735
Restricted for:							
Capital expansion	-	-	-	-	-	1,500,521	1,500,521
Transportation	-	222,437	-	-	-	-	222,437
Law enforcement - forfeiture and seizure	48,533	-	-	-	-	-	48,533
Building code enforcement	700,768	-	-	-	-	-	700,768
Debt service	-	-	439,782	-	-	-	439,782
Assigned to:							
Debt service	-	-	3,090,727	-	-	-	3,090,727
Unassigned	3,709,218	-	-	(357,402)	3,129,701	-	6,481,517
Total fund balances (deficits)	<u>4,542,406</u>	<u>222,437</u>	<u>3,530,509</u>	<u>(357,402)</u>	<u>3,129,701</u>	<u>1,500,521</u>	<u>12,568,172</u>
<b>Total liabilities and fund balances (deficits)</b>	<u>\$ 5,541,617</u>	<u>\$ 532,715</u>	<u>\$ 3,530,719</u>	<u>\$ 257,131</u>	<u>\$ 3,149,479</u>	<u>\$ 1,615,593</u>	<u>\$ 14,627,254</u>

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

**CITY OF ST. AUGUSTINE BEACH, FLORIDA**  
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF NET POSITION**  
**SEPTEMBER 30, 2022**

<b>Fund balances - total governmental funds</b>		\$ 12,568,172
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds		
Total governmental capital assets	41,206,957	
Less: accumulated depreciation	<u>(9,268,301)</u>	31,938,656
On the governmental fund statements, a net pension liability is not recorded until an amount is legally due and payable and the pension plan's fiduciary net position is not sufficient for payment of those benefits (no such liability exists at the end of the current fiscal year). On the Statement of Net Position, the City's net pension liability of the defined benefit pension plans is reported as a noncurrent liability. Additionally, deferred outflows and deferred inflows related to pensions are also reported.		
Net pension liability	(5,902,041)	
Deferred outflows related to pensions	1,593,885	
Deferred inflows related to pensions	<u>(318,528)</u>	(4,626,684)
On the governmental fund statements, a total OPEB liability is not recorded unless an amount is due and payable (no such liability exists at the end of the current fiscal year). On the Statement of Net Position, the City's total OPEB liability is reported as a noncurrent liability.		
Total OPEB liability		(875,253)
Long-term liabilities, including bonds payable, notes payable, and leases are not due and payable in the current period and, therefore, are not reported in the funds. These liabilities and other long-term liabilities consist of the following:		
Bonds and notes payable	(6,629,532)	
Leases payable	(448,790)	
Accrued interest payable	(89,844)	
Compensated absences	<u>(414,997)</u>	(7,583,163)
<b>Net position of governmental activities</b>		<u><u>\$ 31,421,728</u></u>

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

**CITY OF ST. AUGUSTINE BEACH, FLORIDA**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2022**

	General	Road and Bridge	Debt Service	Weir Project	ARPA	Impact Fee	Total Governmental Funds
<b>Revenues</b>							
Taxes	\$ 4,752,717	\$ 218,032	\$ 738,187	\$ -	\$ -	\$ -	\$ 5,708,936
Licenses and permits	888,097	-	-	-	-	278,224	1,166,321
Intergovernmental	1,139,777	167,366	-	1,951,020	3,510,913	11,000	6,780,076
Charges for services	1,418,060	-	-	-	-	-	1,418,060
Fines and forfeitures	43,336	-	-	-	-	-	43,336
Interest revenues (losses)	30,448	65	-	-	-	57	30,570
Miscellaneous	17,439	-	-	-	-	-	17,439
Total revenues	<u>8,289,874</u>	<u>385,463</u>	<u>738,187</u>	<u>1,951,020</u>	<u>3,510,913</u>	<u>289,281</u>	<u>15,164,738</u>
<b>Expenditures</b>							
Current:							
General government	1,882,427	-	-	-	-	73	1,882,500
Public safety	2,819,751	-	-	-	1,794	-	2,821,545
Physical environment	796,666	-	-	-	-	-	796,666
Transportation	816,149	-	-	-	-	2,500	818,649
Culture and recreation	270,267	-	-	-	-	3,155	273,422
Capital outlay	900,130	-	-	2,226,115	379,418	132,642	3,638,305
Debt service							
Principal	144,428	124,346	398,353	-	-	-	667,127
Interest and fiscal charges	11,506	43,020	175,786	-	-	-	230,312
Total expenditures	<u>7,641,324</u>	<u>167,366</u>	<u>574,139</u>	<u>2,226,115</u>	<u>381,212</u>	<u>138,370</u>	<u>11,128,526</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>648,550</u>	<u>218,097</u>	<u>164,048</u>	<u>(275,095)</u>	<u>3,129,701</u>	<u>150,911</u>	<u>4,036,212</u>
<b>Other financing sources (uses)</b>							
Transfers in	-	-	354,053	-	-	-	354,053
Transfers out	(354,053)	-	-	-	-	-	(354,053)
Leases and notes issued	354,657	-	-	-	-	-	354,657
Sale of capital assets	48,327	-	-	-	-	-	48,327
Total other financing sources (uses)	<u>48,931</u>	<u>-</u>	<u>354,053</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>402,984</u>
<b>Net change in fund balances (deficits)</b>	<u>697,481</u>	<u>218,097</u>	<u>518,101</u>	<u>(275,095)</u>	<u>3,129,701</u>	<u>150,911</u>	<u>4,439,196</u>
<b>Fund balances (deficits), beginning of year</b>	3,844,925	4,340	3,012,408	(82,307)	-	1,349,610	8,128,976
<b>Fund balances (deficits), end of year</b>	<u>\$ 4,542,406</u>	<u>\$ 222,437</u>	<u>\$ 3,530,509</u>	<u>\$ (357,402)</u>	<u>\$ 3,129,701</u>	<u>\$ 1,500,521</u>	<u>\$ 12,568,172</u>

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

**CITY OF ST. AUGUSTINE BEACH, FLORIDA  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

**Net change in fund balances - total governmental funds** \$ 4,439,196

Differences in amounts reported for governmental activities in the statement of activities are:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives and reported as depreciation expense.

Capital outlay expenditures	3,638,305	
Depreciation expense	(771,503)	
Contributed capital assets	42,450	2,909,252

Bond and loan proceeds are reported as financing sources in the governmental funds. However, the issuance of debt is reported as long-term debt payable in the statement of net position. Repayment of bond, note, and lease principal is an expenditure in the governmental funds, but the repayment of debt principal reduces long-term liabilities in the statement of net position. These amounts are as follows:

Principal repayment of general long-term debt	667,127	
Amortization of debt premium	10,891	
Issuance of governmental long-term debt	(354,657)	323,361

In the statement of activities, only the gain or loss on the disposition of capital assets are reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the cost of the capital assets disposed. (622)

Governmental funds report contributions to defined benefit pension plans as expenditures. However, in the Statement of Activities, the amount contributed to defined benefit pension plans reduces future net pension liability. Also included in pension expense in the Statement of Activities are amounts required to be amortized.

Changes in net pension liability and deferred inflows/outflows related to pensions		(130,167)
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Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. These adjustments are as follows:

Change in accrued interest on long-term debt		5,746
Changes in total OPEB liability		1,072,808
Change in compensated absences liability		(50,803)

**Change in net position of governmental activities** \$ 8,568,771

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



**CITY OF ST. AUGUSTINE BEACH, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2022**

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

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

(a) **Reporting entity**—The City was constituted a municipality on June 20, 1959, under the provisions of Chapter 59-1790, Laws of Florida, Acts of 1959. The City operates under a commission/manager form of government and provides the following services as authorized by its charter: law enforcement, planning and zoning, code enforcement, building inspection, solid waste collections, road and right-of-way maintenance, maintenance of City buildings, drainage and storm water management, and street lighting.

The accompanying financial statements present the financial position, results of operations, and cash flows of the applicable funds governed by the City Commission of the City, the reporting entity of government for which the City Commission is considered to be financially accountable. In evaluating the City as a reporting entity, management has addressed all potential component units that may or may not fall within the City's oversight and control, and thus, be included in the City's financial statements. No such entities or component units have been identified.

(b) **Government-wide and fund financial statements**—The basic financial statements include both government-wide (based on the City as a whole) and fund financial statements. Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as either governmental or business-type. In the government-wide statement of net position, the governmental activities are presented on a consolidated basis and are reflected on a full accrual, economic resource basis, which incorporates long-term assets and receivables as well as long-term debt and obligations. The City has no business-type activities.

The government-wide statement of activities reflects both the gross and net costs per functional category (e.g., public safety, physical environment, etc.), which are otherwise being supported by general government revenues (e.g., property, sales taxes, certain intergovernmental revenues, etc.). The statement of activities reduces gross expenses (including depreciation) by the related program revenues, operating and capital grants. The program revenues must be directly associated with the function or a business-type activity. The operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

The net cost (by function) is normally covered by general revenue (e.g., property, sales taxes, intergovernmental revenues, interest income, etc.). This government-wide focus is more on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The fund financial statements emphasize the major funds of the City.

**CITY OF ST. AUGUSTINE BEACH, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2022**

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

The governmental funds' major fund statements in the fund financial statements are presented on a current financial resource and modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. This presentation is deemed most appropriate to demonstrate legal compliance and demonstrate how the City's actual experience conforms to the budgeted fiscal plan. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statement, a reconciliation is presented on the page following the Balance Sheet – Governmental Funds and the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds, which briefly explains the adjustments necessary to transform the fund-based financial statements into the government-wide presentation.

As a general rule, the effect of interfund City activities has been eliminated from the government-wide financial statements.

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

Governmental fund financial statements are reported using *the current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

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

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 and pensions, are recorded only when payment is due. Capital asset acquisitions are reported as expenditures in the governmental funds. Issuance of long-term debt and acquisitions under leases are reported in other financing sources.

(d) **Financial statement presentation**—The financial transactions of the City are recorded in individual funds. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, deferred outflows, liabilities, deferred inflows, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The GASB Codification sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of all funds combined) for the determination of major funds.

**CITY OF ST. AUGUSTINE BEACH, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2022**

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

The City reports the following major governmental funds:

The **General Fund** accounts for all financial transactions not accounted for in other funds. The majority of current operating expenditures of the City are financed through revenues received by the General Fund.

The **Road and Bridge Fund** is a special revenue fund used to account for and report activities of the Road and Bridge Department. Resources are primarily provided by gas taxes and intergovernmental revenue.

The **Debt Service Fund** is used to account for the accumulation of resources for, and payment of, general long-term debt principal, interest, and related costs. This fund type is used to provide for the debt service requirements of the City's governmental long-term debt.

The **Weir Project Fund** is a capital project fund used to account for and report activities related to the construction of the Mizell Road Retention Pond Weir Project. Resources are primarily provided by revenues received by the General Fund.

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

The **Impact Fee Fund** is a capital project fund used to account for accumulation of resources provided by impact fees, and the uses of those resources.

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

- i. Prior to September 1<sup>st</sup>, the City Manager submits a preliminary budget to the City Commission for the ensuing fiscal year.
- ii. Budget workshop sessions are scheduled by the City Commission, as needed.
- iii. A general summary of the budget and notice of public hearing is published in a local newspaper.
- iv. Prior to October 1<sup>st</sup>, the budget is legally enacted through passage of an ordinance.
- v. The City Commission, by resolution, may make supplemental appropriations in excess of those estimated for the year up to the amount of available revenue. Prior to the end of the fiscal year, supplemental appropriations are made for unanticipated spending requirements by the Commission.
- vi. The City Manager may make transfers within a department as long as the total budget for the department is not increased, and the legal level of control is \$15,000. Transfers of appropriations between departments require the approval of the Commission. The City's Ordinance establishes the level at which expenditures may not exceed appropriations at the department level.
- vii. Every appropriation lapses at the close of the fiscal year.

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

**CITY OF ST. AUGUSTINE BEACH, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2022**

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

For the year ended September 30, 2022, expenditures exceeded appropriations as approved by the City Commission within two General Fund departments. Culture and recreation expenditures exceeded the budgeted amount by \$1,931 and debt service expenditures exceeded the budgeted amount by \$4,385.

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

(g) **Cash deposits and investments**—The City’s cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Investments are recorded at fair value. Accordingly, the change in fair value of investments is recognized as an increase or decrease to investment assets and investment income. The City’s investments in external investment pools are reported at amortized cost.

(h) **Receivables and payables**—Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.”

All trade and property tax receivables are reported net of an allowance for uncollectible accounts, which is based upon management's analysis of historical trends. All unpaid property taxes receivable at year end are at least 180 days past due, at which time the applicable property is subject to lien, and penalties and interest are assessed; therefore, these amounts are fully allowed for and no provision for taxes receivable has been made on the City’s financial statements.

(i) **Capital assets**—Capital assets include property, plant, equipment and infrastructure assets. Capital assets are defined by the City as assets with an initial individual cost of \$5,000 or more and an estimated useful life of more than one year. Such assets are recorded at historical cost, if purchased or constructed. Contributed assets, including donations and easements or other intangible rights of use, are recorded at acquisition value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are only capitalized if they meet the dollar threshold above for capitalization. Maintenance and repairs of capital assets are charged to operating expenses.

Depreciation is reported for the primary government using the straight-line method calculated on a service-life basis to amortize the cost of the asset over their estimated economic useful lives, which are as follows:

Assets	Years
Buildings and Improvements	10 - 40 years
Machinery Equipment	5 - 20 years
Infrastructure	40 - 70 years

**CITY OF ST. AUGUSTINE BEACH, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2022**

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

(j) **Compensated absences**—Since the liability for employees’ leave time will not be liquidated with expendable available financial resources, the liability has not been reported in the governmental funds. A liability for compensated absences is accrued when incurred in the government-wide financial statements.

(k) **Long-term obligations**—In the government-wide financial statements, long-term debt obligations are reported as liabilities, net of any outstanding premiums or discounts. Debt issuance costs are expensed when paid.

(l) **Leases**—The City leases certain vehicles and determines if an arrangement is a lease at inception. The City recognizes intangible right-to-use (RTU) assets and corresponding lease liabilities for all leases that are not considered short-term. Leases where the maximum possible lease term(s) is non-cancelable by both lessee and lessor and is more than 12 months will not be considered short-term. RTU assets represent the City’s right to use an underlying asset for the lease term and lease liabilities represent the City’s obligation to make lease payments arising from the lease. RTU assets and lease liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. The City’s lease agreements do not contain any material residual value guarantees or material restrictive covenants.

(m) **Inventory and prepaids**—Inventory is valued at cost under the first-in, first-out method and is accounted for using the consumption method. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

(n) **Deferred outflows/inflows of resources**—In addition to assets, the statement of financial position will, if required, 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 a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. Currently, the only item in this category consisted of deferred amounts related to pensions as discussed further in Note (10).

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Currently, the only items in this category consisted of deferred amounts related to pensions, as discussed further in Note (10).

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

*Nonspendable* – The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash such as inventories and prepaid amounts. It also includes the long-term amount of loans and notes receivable, as well as property held for sale unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed, or assigned.

**CITY OF ST. AUGUSTINE BEACH, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2022**

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

*Restricted* – Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation (i.e., when the government assesses, levies, charges, or otherwise mandates payment of resources from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation.

*Committed* – Fund balance amounts that can only be used for specific purposes pursuant to constraints imposed by ordinance of the City Commission are reported as committed fund balance. Those committed amounts cannot be used for any other purpose unless the City removes or changes the specified use by taking the same type of action it employed to previously commit those amounts.

*Assigned* – Fund balance amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed, are reported as assigned fund balance, except for stabilization arrangements. Assignments can be made by the City Commission or the City Manager.

*Unassigned* – Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

For spendable resources, is the City's policy to use its resources in the following order as needed to fund expenses: restricted, committed, assigned, unassigned. Additional, any deficit fund balance within the other governmental fund types is reported as unassigned.

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

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

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

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

**CITY OF ST. AUGUSTINE BEACH, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2022**

**(3) Property Tax Calendar:**

Under Florida law, the assessment of all properties and collection of all county, municipal and school board property taxes are consolidated in the offices of the County Property Appraiser. State laws regulating tax assessment are designed to ensure a consistent property valuation method statewide and to permit municipalities to levy property taxes at a rate of up to 10 mills. For the fiscal year ended September 30, 2022, the millage rate assessed by the City was 2.45 per \$1,000.

The City tax calendar is as follows:

Lien Date:	January 1
Levy Date:	October 1
Discount Period	November-February
Delinquent Date	April 1

**(4) Cash Deposits and Investments:**

The City maintains cash and investment accounts for various other purposes or to segregate cash balances for amounts which are restricted or held on behalf of others. The City's investment policy authorizes the City to invest excess funds in time deposits, mutual funds, obligations of, or obligations the principal and interest of which are unconditionally guaranteed by, the United States Government, repurchase agreements, intergovernmental investment pools, and/or the State Board of Administration (SBA) Local-Government Surplus Trust Fund Investment Pool (Florida PRIME).

As of September 30, 2022, all City cash deposits were held in qualified public depositories pursuant to Chapter 280, Florida Statutes, the *Florida Security for Public Deposits Act* (the Act), and, accordingly, are entirely insured by Federal Depository Insurance Corporation (FDIC) insurance or collateralized pursuant to the Act. The Act established guidelines for qualification and participation by banks and savings associations, procedures for administration of the collateral requirements and characteristics of eligible collateral. Under the Act, the qualified depository must pledge at least 50% of the average daily balance for each month of all public deposits in excess of any applicable deposit insurance. Additional collateral, up to 125%, may be required if deemed necessary. Obligations pledged to secure deposits must be delivered to the State Treasurer or, with the approval of the State Treasurer, to a bank, savings association, or trust company provided a power of attorney. Under the Act, the City is authorized to deposit funds only in qualified public depositories.

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

As of September 30, 2022, the Florida PRIME, FLGIT and FLSAFE had weighted average maturities of 21 days, 29 days, and 28 days, respectively. The City held no assets or investments carried at fair value at September 30, 2022.

**CITY OF ST. AUGUSTINE BEACH, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2022**

**(4) Cash Deposits and Investments:** (Continued)

As of September 30, 2022, the City’s governmental investment portfolio is composed of the following investments:

<u>Investment</u>	<u>Credit Quality Rating</u>	<u>Carrying Value</u>
Florida PRIME	AAAm (S&P)	\$ 1,789,105
FLGIT Day to Day	AAAmmf (Fitch)	\$ 53,715
FLSAFE	AAAm (S&P)	\$ 495,187

*Interest Rate Risk:* Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of investments. To limit its exposure to fair value losses arising from increases in interest rates, the City prohibits direct investment in U.S. government securities or repurchase agreements maturing more than seven years from the date of purchase and in time deposits maturing more than one year from the date of purchase. There were no investments in the City’s portfolio that exceeded this maximum maturity at September 30, 2022.

*Credit Risk:* Credit risk is the risk that a debt issuer or other counter-party to an investment will not fulfill its obligations. The City’s investment policy utilizes portfolio diversification in order to limit investments to governmental funds and securities backed by state and federal governments, and mutual funds with a minimum credit rating of AAAm by Standard & Poor’s (S&P) or an equivalent. The City’s portfolio is held entirely with public depositories and is invested in SBA, FLGIT and FLSAFE funds, as described above.

*Concentration of Credit Risk:* Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. The City’s adopted investment policy follows the investment policies set forth in Florida Statutes, Chapter 218.

In addition to describing the credit risk of investments in the portfolio, governmental entities will need to disclose the concentration of credit risk with a single issuer, if 5 or more percent of the total assets of the portfolio are invested with one issuer. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools and other pooled investments are excluded from the concentration of credit risk disclosure requirements.

*Custodial Credit Risk:* All demand deposits are held with qualified public depositories, as defined above. In the case of investments, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of September 30, 2022, the City’s investment of \$1,789,105 in Florida PRIME funds, \$53,715 in FLGIT funds, and \$495,187 in FLSAFE funds are backed by the full faith and credit of the State of Florida, or explicitly guaranteed by the State of Florida.

**(5) Accounts Receivable:**

The City’s receivables consist of \$213,347 at September 30, 2022, all of which was included in the general fund and governmental activities. There was no allowance for doubtful accounts at September 30, 2022.



**CITY OF ST. AUGUSTINE BEACH, FLORIDA**  
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**(6) Capital Assets:**

Capital asset activity for the fiscal year ended September 30, 2022, is as follows:

	<u>Beginning Balance, as restated</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated –				
Land	\$ 14,297,130	\$ 42,450	\$ -	\$ 14,339,580
Construction in progress	862,811	2,695,642	-	3,558,453
Total capital assets, not being depreciated	<u>15,159,941</u>	<u>2,738,092</u>	<u>-</u>	<u>17,898,033</u>
Capital assets, being depreciated –				
Machinery and equipment	3,551,275	601,899	(109,853)	4,043,321
Buildings and improvements	4,900,877	47,935	-	4,948,812
Infrastructure	13,666,391	-	-	13,666,391
Right-to-use leased equipment	357,571	292,829	-	650,400
Total capital assets, being depreciated	22,476,114	942,663	(109,853)	23,308,924
Less: accumulated depreciation	(8,606,029)	(771,503)	109,231	(9,268,301)
Total capital assets, being depreciated, net	<u>13,870,085</u>	<u>171,160</u>	<u>(622)</u>	<u>14,040,623</u>
Governmental activities capital assets, net	<u>\$ 29,030,026</u>	<u>\$ 2,909,252</u>	<u>\$ (622)</u>	<u>\$ 31,938,656</u>

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General governmental	\$ 160,841
Public safety	134,470
Physical environment	445,586
Transportation	4,811
Culture and recreation	25,795
Total depreciation expense - governmental activities	<u>\$ 771,503</u>

**(7) Leases:**

The City has entered into certain lease agreements as a lessee for various vehicles as follows: three police vehicles in the 2017 fiscal year, one garbage truck in the 2019 fiscal year, three police vehicles in the 2021 fiscal year, and one recycle truck and two police vehicles in the 2022 fiscal year. The lease agreements qualify as leases under GASB Statement No. 87, *Leases*, as implemented at October 1, 2021, as discussed at Note (14), and have been recorded at the present value of their future minimum lease payments as of the inception date. The assets acquired through leases are reported as right-to-use assets as follows:

Leased assets being amortized:	
Leased vehicles	\$ 650,400
Accumulated amortization	<u>(105,781)</u>
Total leased assets, net of accumulated amortization	<u>\$ 544,619</u>

**CITY OF ST. AUGUSTINE BEACH, FLORIDA**  
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**SEPTEMBER 30, 2022**

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

The City made \$293,497 of fixed payments on a quarterly or annual basis during the year ended September 30, 2022. Interest rates are as stated in the respective lease agreements and range from 1.46% to 7.74%. The principal and interest requirements to maturity for the lease liability as of September 30, 2022, are as follows:

<b>Year Ending September 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2023	\$ 161,394	\$ 15,322	\$ 176,716
2024	143,084	8,047	151,131
2025	65,225	2,753	67,978
2026	39,257	1,155	40,412
2027	39,830	582	40,412
Total	<u>\$ 448,790</u>	<u>\$ 27,859</u>	<u>\$ 476,649</u>

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

Notes and bonds payable at September 30, 2022, are comprised of the following:

<p>\$61,160 financed purchase of tasers for the City Police Department at a 0.00% interest rate. Principal payments are due annually on November 1 each year until final maturity on November 1, 2025. The financing is payable from ad valorem revenues. During 2022, \$4,355,314 in ad valorem revenues were recognized and \$18,920 were paid for debt service.</p>	\$ 42,240
<p>\$2,508,562 Department of Environmental Protection note payable, used to connect approximately 620 residential units to the St. Johns County Utility System, at an interest rate of 2.92%. Principal and interest payments of \$83,683 are payable semiannually on January 15 and July 15 through July 15, 2032. Repayment of loan balance is secured revenue received from St. Johns County equal to the semiannual debt service payment to the City as each payment becomes due. See Note (13) for further discussion of this activity.</p>	1,379,779
<p>\$5,350,000 Series 2009 Florida Municipal Loan Council Revenue Bonds, issued to purchase land at a fixed rate of interest of 5.37%. Interest payments are payable semiannually on January 1 and July 1. Principal payments are due annually on July 1 each year until final maturity on July 1, 2029. The bond issue is payable from and secured by certain ad valorem revenues and the approximate amount of the pledge is equal to the remaining principal and interest of \$461,163. During 2022, \$738,187 in ad valorem revenues were recognized and \$65,881 were paid for debt service.</p>	376,150
<p>\$1,460,000 Series 2016A Florida Municipal Loan Council Refunding and Improvement Bonds, issued for the purchase of land and capital improvements at interest rates ranging from 2.00% to 5.00%. Interest payments are payable semiannually on April 1 and October 1. Principal payments are due annually on October 1 each year until final maturity on October 1, 2046. The bond issue is payable from and secured by non-ad valorem revenues and the approximate amount of the pledge is equal to the remaining principal and interest of \$1,893,488. During 2022, \$10,851,874 in non-ad valorem revenues were recognized and \$76,775 were paid for debt service.</p>	1,300,000

**CITY OF ST. AUGUSTINE BEACH, FLORIDA**  
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(8) **Long-Term Debt:** (Continued)

<p>\$1,610,000 Series 2016B Florida Municipal Loan Council Refunding and Improvement Bonds, issued for the purchase of land and capital improvements at interest rates ranging from 2.00% to 4.00%. Interest payments are payable semiannually on April 1 and October 1. Principal payments are due annually on October 1 each year until final maturity on October 1, 2028. The bond issue is payable from and secured by certain ad valorem revenues and the approximate amount of the pledge is equal to the remaining principal and interest of \$1,095,750. During 2022, \$738,187 in ad valorem revenues were recognized and \$157,675 were paid for debt service.</p>	\$ 1,005,000
<p>\$1,920,000 Series 2016C Florida Municipal Loan Council Refunding and Improvement Bonds, issued for a current refunding of Series 2004A Florida Municipal Loan Council Revenue Bonds, at interest rates ranging from 2.00% to 5.00%. Interest payments are payable semiannually on April 1 and October 1. Principal payments are due annually on October 1 each year until final maturity on October 1, 2034. The bond issue is payable from and secured by non-ad valorem revenues and the approximate amount of the pledge is equal to the remaining principal and interest of \$1,816,800. During 2022, \$10,851,874 in non-ad valorem revenues were recognized and \$137,375 were paid for debt service.</p>	1,485,000
<p>\$1,430,000 Series 2016D Florida Municipal Loan Council Refunding and Improvement Bonds, issued for a current refunding of Series 2010AA Florida Municipal Loan Council Revenue Bonds, at interest rates ranging from 2.00% to 5.00%. Interest payments are payable semiannually on April 1 and October 1. Principal payments are due annually on October 1 each year until final maturity on October 1, 2029. The bond issue is payable from and secured by non-ad valorem revenues and the approximate amount of the pledge is equal to the remaining principal and interest of \$1,050,319. During 2022, \$10,851,874 in non-ad valorem revenues were recognized and \$128,463 were paid for debt service.</p>	930,000
<p>Notes and bonds payable at September 30, 2022</p>	6,518,169
<p>Add: unamortized bond premiums</p>	111,363
<p>Less: current portion of bonds and notes payable</p>	(549,245)
<p>Total long-term debt, governmental activities</p>	\$ 6,080,287

The City was in compliance with all applicable debt covenants as of and for the year ended September 30, 2022.

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

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 549,245	\$ 192,224	\$ 741,469
2024	575,464	174,856	750,320
2025	596,924	160,545	757,469
2026	608,637	145,275	753,912
2027	610,054	129,130	739,184
2028-2032	2,282,845	376,824	2,659,669
2033-2037	650,000	142,781	792,781
2038-2042	300,000	81,088	381,088
2043-2047	345,000	28,844	373,844
Total	\$ 6,518,169	\$ 1,431,567	\$ 7,949,736

**CITY OF ST. AUGUSTINE BEACH, FLORIDA**  
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**SEPTEMBER 30, 2022**

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

For the fiscal year ended September 30, 2022, a summary of the long-term liability transactions for the City is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental activities:</b>					
Notes and bonds payable	\$ 6,998,628	\$ 61,160	\$ (541,619)	\$ 6,518,169	\$ 549,245
Plus: Original issue premium	122,254	-	(10,891)	111,363	-
Total notes and bonds payable	7,120,882	61,160	(552,510)	6,629,532	549,245
Leases	280,801	293,497	(125,508)	448,790	161,394
Compensated absences	364,195	183,918	(133,116)	414,997	73,789
Governmental activities – Total long-term liabilities	<u>\$ 7,765,878</u>	<u>\$ 538,575</u>	<u>\$ (811,134)</u>	<u>\$ 7,493,319</u>	<u>\$ 784,428</u>

**(9) Interfund Loans, Advances, Fees and Transfers:**

The outstanding balances between funds are short-term loans to cover short-term cash flow needs and expected to be repaid in full over the course of the next fiscal year. Individual fund interfund receivables and payables for the primary government at September 30, 2022, are comprised of the following:

	<u>Due From Other Funds</u>	<u>Due to Other Funds</u>
Governmental Activities:		
General Fund	\$ 775,961	\$ 468,238
Road and Bridge Fund	481,990	310,278
Impact Fee Fund	11,600	2,500
Debt Service	-	210
Weir Project Fund	-	500,703
ARPA Fund	12,378	-
Total – All Funds	<u>\$ 1,281,929</u>	<u>\$ 1,281,929</u>

For the year ended September 30, 2022, interfund transfers consisted of the following:

	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental Activities:		
General Fund	\$ -	\$ 354,053
Debt Service Fund	354,053	-
Total – All Funds	<u>\$ 354,053</u>	<u>\$ 354,053</u>

The transfer from the general fund to the debt service fund represents the requirements for debt service payments.

**CITY OF ST. AUGUSTINE BEACH, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
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**(10) Employees' Retirement Plans and Other-Postemployment Benefits:**

**A. Florida Retirement System**

**Plan Description and Administration**

The City participates in the Florida Retirement System (FRS), a multiple-employer, cost sharing defined public employee retirement system which covers all of the City's full-time employees. The System is administered by the State of Florida, Department of Administration, Division of Retirement to provide retirement and survivor benefits to participating public employees. Provisions relating to the FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and FRS Rules, Chapter 60S, Florida Administrative Code; wherein eligibility, contributions, and benefits are defined and described in detail. The FRS is a single retirement system administered by the Department of Management Services, Division of Retirement, and consists of two cost-sharing, multiple-employer retirement plans and other nonintegrated programs. These include a defined-benefit pension plan (Plan), with a Deferred Retirement Option Program (DROP), and a defined-contribution plan, referred to as the FRS Investment Plan (Investment Plan).

In addition, all regular employees of the entity are eligible to enroll as members of the Retiree Health Insurance Subsidy (HIS) Program. The HIS is a cost-sharing, multiple-employer defined benefit pension plan established and administered in accordance with section 112.363, Florida Statutes. The benefit is a monthly payment to assist retirees of the state-administered retirement systems in paying their health insurance costs. Eligible retirees and beneficiaries receive a monthly HIS payment equal to the number of years of service credited at retirement multiplied by \$5. The minimum payment is \$30 and the maximum payment is \$150 per month, pursuant to section 112.363, Florida Statutes. To be eligible to receive a HIS benefit, a retiree under one of the state-administered retirement systems must provide proof of eligible health insurance coverage, which can include Medicare.

**Benefits Provided and Employees Covered**

Employees enrolled in the Plan prior to July 1, 2011, vest at six years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at eight years of creditable service. All vested members, enrolled prior to July 1, 2011, are eligible for normal retirement benefits at age 62 or at any age after 30 years of service. All members enrolled in the Plan on or after July 1, 2011, once vested, are eligible for normal retirement benefits at age 65 or any time after 33 years of creditable service. Members of both Plans may include up to four years of credit for military service toward creditable service. The Plan also includes an early retirement provision; however, there is a benefit reduction for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability, death benefits, and annual cost-of-living adjustments. Benefits under the Plan are computed on the basis of age and/or years of service, average final compensation, and service credit. Credit for each year of service is expressed as a percentage of the average final compensation. For members initially enrolled before July 1, 2011, the average final compensation is the average of the five highest fiscal years' earnings; for members initially enrolled on or after July 1, 2011, the average final compensation is the average of the eight highest fiscal years' earnings. The total percentage value of the benefit received is determined by calculating the total value of all service, which is based on the retirement plan and/or class to which the member belonged when the service credit was earned.

DROP, subject to provisions of Section 121.091, Florida Statutes, permits employees eligible for normal retirement under the Plan to defer receipt of monthly benefit payments while continuing employment with an FRS employer. An employee may participate in DROP for a period not to exceed 60 months after electing to participate, except that certain instructional personnel may participate for up to 96 months. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest.

**CITY OF ST. AUGUSTINE BEACH, FLORIDA**  
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**(10) Employees' Retirement Plans and Other-Postemployment Benefits:** (Continued)

Employees may elect to participate in the Investment Plan in lieu of the FRS defined-benefit plan. Employer and employee contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. The Investment Plan is funded by employer and employee contributions that are based on salary and membership class (Regular, DROP, etc.). Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Employees in the Investment Plan vest at one year of service.

**Financial Statements**

Financial statements and other supplementary information of the FRS are included in the State's Comprehensive Annual Financial Report, which is available from the Florida Department of Financial Services, Bureau of Financial Reporting Statewide Financial Reporting Section by mail at 200 E. Gaines Street, Tallahassee, Florida 32399-0364; by telephone at (850) 413-5511; or at the Department's Web site ([www.myfloridacfo.com](http://www.myfloridacfo.com)). An annual report on the FRS, which includes its financial statements, required supplementary information, actuarial report, and other relevant information, is available from:

Florida Department of Management Services  
 Division of Retirement  
 P.O. Box 9000  
 Tallahassee, FL 32315-9000  
 850-488-5706 or toll free at 877-377-1737

**Contributions**

The City participates in certain classes of FRS membership. Each class had descriptions and contribution rates in effect during the year ended September 30, 2022, as follows (contribution rates are in agreement with the actuarially determined rates):

<b>FRS Membership Plan &amp; Class</b>	<b>Through June 30, 2022</b>	<b>After June 30, 2022</b>
Regular Class	10.82%	11.91%
Senior Management (SMSC)	29.01%	31.57%
Special Risk	25.89%	27.83%
Elected Official Class	51.42%	57.00%
DROP from FRS	18.34%	18.60%

Current-year employer HIS contributions were made at a rate of 1.66% of covered payroll, which are included in the above rates.

For the plan year ended June 30, 2022, actual contributions made for employees participating in FRS and HIS were as follows:

City Contributions – FRS	\$ 570,208
City Contributions – HIS	53,134
Employee Contributions – FRS	96,024

**CITY OF ST. AUGUSTINE BEACH, FLORIDA**  
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(10) **Employees' Retirement Plans and Other-Postemployment Benefits:** (Continued)

**Net Pension Liability, Pension Expense, and Deferred Outflows and Inflows of Resources Related to Pensions**

At September 30, 2022, the City reported a net pension liability related to FRS and HIS as follows:

FRS	\$ 4,971,974
HIS	930,067
Total	<u>\$ 5,902,041</u>

The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental entities, as actuarially determined. At June 30, 2022 and 2021, the City's proportionate share of the FRS and HIS net pension liabilities were as follows:

Plan	2022	2021
FRS	0.013362636%	0.013179315%
HIS	0.008781182%	0.008384007%

For the year ended June 30, 2022, pension expense was recognized related to the FRS and HIS plans as follows:

FRS	\$ 710,533
HIS	68,839
Total	<u>\$ 779,372</u>

*Deferred outflows/inflows related to pensions:*

At September 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to pensions were recorded from the following sources:

	FRS		HIS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 236,140	\$ -	\$ 28,230	\$ (4,092)
Changes of assumptions	612,319	-	53,312	(143,881)
Net difference between projected and actual investment earnings	328,299	-	1,347	-
Change in City's proportionate share	100,894	(155,214)	49,736	(15,341)
Contributions subsequent to measurement date	168,586	-	15,022	-
	<u>\$ 1,446,238</u>	<u>\$ (155,214)</u>	<u>\$ 147,647</u>	<u>\$ (163,314)</u>

**CITY OF ST. AUGUSTINE BEACH, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
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(10) **Employees' Retirement Plans and Other-Postemployment Benefits:** (Continued)

The above amounts for deferred outflows of resources for contributions related to pensions resulting from employer contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ended September 30, 2023. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions being amortized for a period of greater than one year will be recognized in pension expense in succeeding years as follows:

<b>Year Ended September 30</b>	<b>FRS</b>	<b>HIS</b>	<b>Total</b>
2023	\$ 273,754	\$ (2,866)	\$ 270,888
2024	93,896	(3,005)	90,891
2025	(112,032)	(359)	(112,391)
2026	817,533	(4,739)	812,794
2027	49,287	(13,548)	35,739
Thereafter	-	(6,172)	(6,172)
<b>Total</b>	<b>\$ 1,122,438</b>	<b>\$ (30,689)</b>	<b>\$ 1,091,749</b>

*Actuarial assumptions:*

The actuarial assumptions for both defined benefit plans are reviewed annually by the Florida Retirement System Actuarial Assumptions Conference. The FRS has a valuation performed annually. The HIS Program has a valuation performed biennially that is updated for GASB reporting in the year a valuation is not performed. The most recent experience study for the FRS was completed in 2019 for the period July 1, 2013, through June 30, 2018. Because HIS is funded on a pay-as-you-go basis, no experience study has been completed.

The total pension liability for each of the defined benefit plans was determined by an actuarial valuation, using the entry age normal actuarial cost method. Inflation increases for both plans is assumed at 2.40%. Payroll growth, including inflation, for both plans is assumed at 3.25%. Both the discount rate and the long-term expected rate of return used for FRS investments is 6.70%. This rate decreased from the prior year rate of 6.80%. The plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return. Because HIS Program uses a pay-as-you-go funding structure, a municipal bond rate of 3.54% was used to determine the total pension for the program. This rate increased from the prior year rate, which was 2.16%. Mortality assumptions for both plans were based on the PUB-2010 base table varies by member category and sex, projected generationally with Scale MP-2018.

*Long-term expected rate of return:*

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in October 2022, the FRS Actuarial Assumptions conference reviewed long-term assumptions developed by both Milliman's capital market assumptions team and by a capital market assumptions team from Aon Hewitt Investment Consulting, which consults to the Florida State Board of Administration. The table below shows Milliman's assumptions for each of the asset classes in which the plan was invested at that time based on the long-term target asset allocation. The allocation policy's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes an adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.



**CITY OF ST. AUGUSTINE BEACH, FLORIDA**  
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**(10) Employees' Retirement Plans and Other-Postemployment Benefits:** (Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Arithmetic Expected Rate of Return</u>
Cash	1.0%	2.6%
Fixed income	19.8%	4.4%
Global equities	54.0%	8.8%
Real estate	10.3%	7.4%
Private equity	11.1%	12.0%
Strategic investments	3.8%	6.2%
Total	<u>100.0%</u>	

*Sensitivity of the net pension liability to changes in the discount rate:*

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

<u>Plan</u>	<u>Current Discount Rate</u>	<u>NPL with 1% Decrease</u>	<u>NPL at Current Discount Rate</u>	<u>NPL with 1% Increase</u>
FRS	6.70%	\$ 8,598,688	\$ 4,971,974	\$ 1,939,610
HIS	3.54%	1,064,074	930,067	819,180

**B. Other Post-Employment Benefits (OPEB):**

**Plan Description**

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

**Funding Policy**

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

**CITY OF ST. AUGUSTINE BEACH, FLORIDA  
 NOTES TO FINANCIAL STATEMENTS  
 SEPTEMBER 30, 2022**

**(10) Employees’ Retirement Plans and Other-Postemployment Benefits:** (Continued)

**Benefits Provided**

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

**Plan Membership**

At September 30, 2021, the date of the latest actuarial valuation, plan participation consisted of 64 covered individuals, including two inactive employees and beneficiaries and 62 active employees. Plan participation does not include any inactive employees entitled to but not yet receiving benefits.

**Actuarial Assumptions and Other Inputs**

The total OPEB liability in the September 30, 2021, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods in the measurement, unless otherwise specified:

Discount rate	2.43%
Inflation	2.50%
Salary increases	3.00%
Healthcare cost trend rate	Initial rate of 7.50% in fiscal 2022, then 7.25% in fiscal 2023, grading down to the ultimate trend rate of 4.00% in fiscal 2075.
Disability Rates	Wyatt 1985 Disability Study; Class 1 for General employees and Class 4 for Special Risk employees.
Retirees’ share of benefit-related costs	100.00%

The City does not have a dedicated Trust to pay retiree healthcare benefits. The discount rate was based on the S&P Municipal Bond 20-Year High Grade Rate Index as of September 30, 2021.

Mortality rates were based on the PUB-2010 Mortality Table (without income adjustment) for general and public safety employees, with full generational improvements in mortality using Scale MP-2021.

**Total OPEB Liability**

The City’s total OPEB liability of \$875,253 was measured as of September 30, 2021, and was determined by an actuarial valuation as of September 30, 2021, utilizing the Alternative Measurement Method for small plans. Therefore, no deferred inflows or deferred outflows are recorded. For the year ended September 30, 2022, the City recognized OPEB expense of (\$327,111).

**CITY OF ST. AUGUSTINE BEACH, FLORIDA**  
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(10) **Employees' Retirement Plans and Other-Postemployment Benefits:** (Continued)

Changes in the OPEB liability for the fiscal year ended September 30, 2022, were as follows:

	<b>Total OPEB Liability</b>
Balance at September 30, 2021	\$ 1,948,061
Changes for a year:	
Service cost	258,162
Interest	46,745
Demographic experience	(1,127,212)
Changes of assumptions	(206,457)
Benefit payments – implicit rate subsidy	(44,046)
Net changes	(1,072,808)
Balance at September 30, 2022	\$ 875,253

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

The following presents the total OPEB liability of the City calculated using the discount rate of 2.43%, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1% lower (1.43%) or 1% higher (3.43%) than the current rate:

	<b>1% Decrease</b>	<b>Current Discount Rate</b>	<b>1% Increase</b>
Total OPEB Liability	\$ 975,144	\$ 875,253	\$ 768,862

*Sensitivity of the total OPEB liability to changes in the healthcare cost trend rate:*

The following presents the total OPEB liability of the City as well as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower (6.50%, graded down to 3.00%) or 1% higher (8.50%, graded down to 5.00%) than the current healthcare cost trend rates (7.50%, graded down to 4.00%):

	<b>1% Decrease</b>	<b>Current Trend Rates</b>	<b>1% Increase</b>
Total OPEB Liability	\$ 754,679	\$ 875,253	\$ 1,022,591

(11) **Risk Management:**

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the City carries commercial insurance. During 2022, there were no significant reductions in insurance coverage from the previous year or any settlements in excess of insurance coverage in the current year or the prior three years.

The City is engaged in routine litigation incidental to the conduct of its municipal affairs. In the opinion of the City's legal counsel, no legal proceedings are pending which would have a material adverse effect on the financial position or results of operations of the City.

**CITY OF ST. AUGUSTINE BEACH, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2022**

**(12) Commitments and Contingencies:**

The City is engaged in various liability claims incidental to the conduct of its general government operations at September 30, 2022. The outcomes of established claims are included in these financial statements. In the opinion of the City's legal counsel, no legal proceedings are pending or threatened against the City which are not covered by applicable insurance which would inhibit its ability to perform its operations or materially affect its financial condition.

**(13) Interlocal Agreement:**

Through the Department of Environmental Protection's State Revolving Loan Program, the City obtained funding in September 2009 to connect approximately 620 residential units in seven neighborhoods to the St. Johns County Utility System.

The City contracted with St. Johns County to extend their current utility system into these neighborhoods. The new lines are in place and will be both operated and maintained by St. Johns County. The City is the owner of the new utility lines until such time as the debt instrument that has been used to finance the project has been retired, upon which the ownership shall vest solely with St. Johns County. St. Johns County will share the revenues generated from the new utility connections with the City in an amount equal to the debt service on the City's loans not forgiven, as it becomes due and payable.

**(14) Recent Accounting Pronouncements:**

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

GASB issued Statement No. 87, *Leases*, in June 2017. GASB 87 increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The provisions in GASB 87 were implemented as of October 1, 2021. The City evaluated all lease contracts and identified existing leases previously identified as capital leases. No restatement to net position was necessary.

GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*, in May 2020. GASB 96 provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The provisions in GASB 96 are effective for periods beginning after June 15, 2022.

GASB issued Statement No. 101, *Compensated Absences*, in June 2022. GASB Statement No. 101 amends various provisions regarding the calculation methodology and required disclosures related to the liability for compensated absences. The provisions for GASB 101 are effective for fiscal years beginning after December 15, 2023.

**CITY OF ST. AUGUSTINE BEACH, FLORIDA**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL - GENERAL FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2022**

	<u>Budgeted Amounts</u>			Variance with
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Final Budget - Positive (Negative)
<b>REVENUES</b>				
Taxes	\$ 4,669,314	\$ 4,669,314	\$ 4,752,717	\$ 83,403
Licenses and permits	801,300	801,300	888,097	86,797
Intergovernmental	1,437,006	1,269,641	1,139,777	(129,864)
Charges for services	1,320,898	1,320,898	1,418,060	97,162
Fines and forfeitures	26,700	26,700	43,336	16,636
Interest revenues	5,533	5,521	30,448	24,927
Miscellaneous	12,200	12,200	17,439	5,239
Total revenues	<u>8,272,951</u>	<u>8,105,574</u>	<u>8,289,874</u>	<u>184,300</u>
<b>Expenditures</b>				
Current:				
General government:				
Legislative	97,582	100,466	77,045	23,421
Executive	188,748	190,161	189,043	1,118
Finance	915,529	938,662	898,462	40,200
Comp planning	235,119	250,997	242,431	8,566
Other general government	522,009	544,981	532,805	12,176
Public safety:				
Police	2,661,279	2,770,011	2,567,474	202,537
Protective inspection	422,411	603,011	436,963	166,048
Code enforcement	98,336	99,802	86,854	12,948
Physical environment	1,058,843	1,066,171	989,807	76,364
Transportation	1,937,552	1,827,087	1,194,239	632,848
Economic environment	250	250	-	250
Culture and recreation	264,808	268,336	270,267	(1,931)
Debt service:				
Principal	133,905	133,905	144,428	(10,523)
Interest and fiscal charges	64,216	17,644	11,506	6,138
Total expenditures	<u>8,600,587</u>	<u>8,811,484</u>	<u>7,641,324</u>	<u>1,170,160</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(327,636)</u>	<u>(705,910)</u>	<u>648,550</u>	<u>1,354,460</u>
<b>Other financing sources (uses)</b>				
Transfers in	-	136,000	-	(136,000)
Transfers out	(830,276)	(830,276)	(354,053)	476,223
Sale of capital assets	5,000	35,000	48,327	13,327
Leases and notes issued	350,000	411,160	354,657	(56,503)
Total other financing sources (uses)	<u>(475,276)</u>	<u>(248,116)</u>	<u>48,931</u>	<u>297,047</u>
<b>Net change in fund balances</b>	<u>(802,912)</u>	<u>(954,026)</u>	<u>697,481</u>	<u>1,651,507</u>
<b>Fund balances, beginning of year</b>	3,844,925	3,844,925	3,844,925	-
<b>Fund balances, end of year</b>	<u>\$ 3,042,013</u>	<u>\$ 2,890,899</u>	<u>\$ 4,542,406</u>	<u>\$ 1,651,507</u>

The accompanying notes to the required supplemental information are an integral part of this schedule.

**CITY OF ST. AUGUSTINE BEACH, FLORIDA**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL - ROAD AND BRIDGE FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2022**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Taxes	\$ 218,612	\$ 218,612	\$ 218,032	\$ (580)
Intergovernmental	-	167,366	167,366	-
Interest revenues	-	15	65	50
Total revenues	<u>218,612</u>	<u>385,993</u>	<u>385,463</u>	<u>(530)</u>
<b>Expenditures</b>				
Current:				
Debt service:				
Principal	-	128,004	124,346	3,658
Interest and fiscal charges	-	39,362	43,020	(3,658)
Total expenditures	<u>-</u>	<u>167,366</u>	<u>167,366</u>	<u>-</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>218,612</u>	<u>218,627</u>	<u>218,097</u>	<u>(530)</u>
<b>Net change in fund balances</b>	<u>218,612</u>	<u>218,627</u>	<u>218,097</u>	<u>(530)</u>
<b>Fund balances (deficits), beginning of year</b>	4,340	4,340	4,340	-
<b>Fund balances (deficits), end of year</b>	<u>\$ 222,952</u>	<u>\$ 222,967</u>	<u>\$ 222,437</u>	<u>\$ (530)</u>

The accompanying notes to the required supplemental information are an integral part of this schedule.

**CITY OF ST. AUGUSTINE BEACH, FLORIDA**  
**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY**  
**LAST 10 FISCAL YEARS**  
**(UNAUDITED)**

	As of the Plan Year Ended June 30,									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	
<b>Florida Retirement System (FRS)</b>										
Proportion of the net pension liability	0.013362636%	0.013179315%	0.013903464%	0.013585849%	0.013403952%	0.013616542%	0.012974748%	0.011402375%	0.010951725%	
Proportionate share of the net pension liability	\$ 4,971,974	\$ 995,547	\$ 6,025,966	\$ 4,678,777	\$ 4,037,340	\$ 4,029,064	\$ 3,276,134	\$ 1,472,770	\$ 668,216	
Covered payroll	3,200,816	2,968,751	2,933,675	2,872,805	2,817,583	2,733,987	2,494,066	1,694,975	1,475,719	
Proportionate share of the net pension liability as a percentage of covered payroll	155.33%	33.53%	205.41%	162.86%	143.29%	147.37%	131.36%	86.89%	45.28%	
Plan fiduciary net position as a percentage of the total pension liability	82.89%	96.40%	78.85%	82.61%	84.26%	83.89%	84.88%	92.00%	96.09%	
Measurement date	06/30/2022	06/30/2021	06/30/2020	06/30/2019	06/30/2018	06/30/2017	06/30/2016	06/30/2015	06/30/2014	
Actuarial valuation date	07/01/2022	07/01/2021	07/01/2020	07/01/2019	07/01/2018	07/01/2017	07/01/2016	07/01/2015	07/01/2014	
<i>Discount rate:</i>	6.70%	6.80%	6.80%	6.90%	7.00%	7.10%	7.60%	7.65%	7.65%	
<b>Health Insurance Subsidy Program (HIS)</b>										
Proportion of the net pension liability	0.008781182%	0.008384007%	0.008450946%	0.008588042%	0.008624684%	0.008575529%	0.008077334%	0.007360546%	0.007151006%	
Proportionate share of the net pension liability	\$ 930,067	\$ 1,028,424	\$ 1,031,847	\$ 960,916	\$ 912,846	\$ 916,935	\$ 941,380	\$ 750,660	\$ 668,637	
Covered payroll	3,200,816	2,968,751	2,933,675	2,872,805	2,817,583	2,733,987	2,494,066	1,694,975	1,475,719	
Proportionate share of the net pension liability as a percentage of covered payroll	29.06%	34.64%	35.17%	33.45%	32.40%	33.54%	37.74%	44.29%	45.31%	
Plan fiduciary net position as a percentage of the total pension liability	4.81%	3.56%	3.00%	2.63%	2.15%	1.64%	0.97%	0.50%	0.99%	
Measurement date	06/30/2022	06/30/2021	06/30/2020	06/30/2019	06/30/2018	06/30/2017	06/30/2016	06/30/2015	06/30/2014	
Actuarial valuation date	07/01/2022	07/01/2020	07/01/2020	07/01/2018	07/01/2018	07/01/2016	07/01/2016	07/01/2014	07/01/2014	
<i>Discount rate:</i>	3.54%	2.16%	2.21%	3.50%	3.87%	3.58%	2.85%	3.80%	4.29%	

\* GASB 68 requires information for 10 years. However, until a full 10-year trend is compiled, information is presented for only those years for which information is available.

**CITY OF ST. AUGUSTINE BEACH, FLORIDA**  
**SCHEDULE OF CONTRIBUTIONS**  
**LAST 10 FISCAL YEARS**  
**(UNAUDITED)**

	As of the Year Ended September 30,								
	2022	2021	2020	2019	2018	2017	2016	2015	2014
<b>Florida Retirement System (FRS)</b>									
Contractually required contribution	\$ 594,175	\$ 511,828	\$ 461,951	\$ 421,259	\$ 382,002	\$ 354,472	\$ 316,410	\$ 278,000	\$ 239,889
Contributions in relation to the contractually required contribution	594,175	511,828	461,951	421,259	382,002	354,472	316,410	278,000	239,889
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 3,315,006	\$ 2,955,010	\$ 2,933,675	\$ 2,872,805	\$ 2,817,583	\$ 2,733,987	\$ 2,494,066	\$ 1,694,975	\$ 1,475,719
Contributions as a percentage of covered payroll	17.92%	17.32%	15.75%	14.66%	13.56%	12.97%	12.69%	16.40%	16.26%
<b>Health Insurance Subsidy Program (HIS)</b>									
Contractually required contribution	\$ 55,029	\$ 49,053	\$ 48,699	\$ 47,689	\$ 46,772	\$ 45,384	\$ 41,401	\$ 28,137	\$ 24,497
Contributions in relation to the contractually required contribution	55,029	49,053	48,699	47,689	46,772	45,384	41,401	28,137	24,497
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 3,315,006	\$ 2,955,010	\$ 2,933,675	\$ 2,872,805	\$ 2,817,583	\$ 2,733,987	\$ 2,494,066	\$ 1,694,975	\$ 1,475,719
Contributions as a percentage of covered payroll	1.66%	1.66%	1.66%	1.66%	1.66%	1.66%	1.66%	1.66%	1.66%

\* GASB 68 requires information for 10 years. However, until a full 10-year trend is compiled, information is presented for only those years for which information is available.

See accompanying notes to schedule of proportionate share of net pension liability.



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

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b>Total OPEB Liability</b>					
Service cost	\$ 258,162	\$ 250,643	\$ 73,190	\$ 79,706	\$ 78,300
Interest	46,745	20,044	27,019	26,938	21,426
Changes of assumptions	(206,457)	1,146,301	(56,943)	15,982	-
Benefit payments – implicit rate subsidy	(44,046)	(2,119)	(742)	(674)	(637)
Demographic experience	(1,127,212)	(153,872)	(37,351)	(100,753)	-
Net change in total OPEB liability	<u>(1,072,808)</u>	<u>1,260,997</u>	<u>5,173</u>	<u>21,199</u>	<u>99,089</u>
Total OPEB liability – beginning	1,948,061	687,064	681,891	660,692	561,603
Total OPEB liability – ending	<u>\$ 875,253</u>	<u>\$ 1,948,061</u>	<u>\$ 687,064</u>	<u>\$ 681,891</u>	<u>\$ 660,692</u>
Covered-employee payroll	\$ 3,260,527	\$ 2,648,108	\$ 2,735,142	\$ 2,656,223	\$ 2,823,671
Total OPEB liability as a percentage of covered-employee payroll	26.84%	73.56%	25.12%	25.67%	23.40%
Measurement date	09/30/2021	09/30/2020	09/30/2019	09/30/2018	09/30/2017
Actuarial valuation date	09/30/2021	10/01/2019	10/01/2018	10/01/2017	10/01/2016
<i>Discount rate:</i>	2.43%	2.14%	3.58%	3.64%	3.35%

*Benefit Payments.* The Plan sponsor did not provide actual net benefits paid by the Plan for each fiscal year shown above. Expected net benefits payments produced by the valuation model for the same periods are shown in the table above.

\* GASB 75 requires information for 10 years. However, until a full 10-year trend is compiled, information is presented for only those years for which information is available.

**CITY OF ST. AUGUSTINE BEACH, FLORIDA**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**SEPTEMBER 30, 2022**

**(1) Budgetary Information:**

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

- i. Prior to September 1st, the City Manager submits a preliminary budget to the City Commission for the ensuing fiscal year.
- ii. Budget workshop sessions are scheduled by the City Commission, as needed.
- iii. A general summary of the budget and notice of public hearing is published in a local newspaper.
- iv. Prior to October 1<sup>st</sup>, the budget is legally enacted through passage of an ordinance.
- v. The City Commission, by resolution, may make supplemental appropriations in excess of those estimated for the year up to the amount of available revenue. Prior to the end of the fiscal year, supplemental appropriations are made for unanticipated spending requirements by the Commission.
- vi. The City Manager may make transfers within a department as long as the total budget for the department is not increased, and the legal level of control is \$15,000. Transfers of appropriations between departments require the approval of the Commission. The City's Ordinance establishes the level at which expenditures may not exceed appropriations at the department level.
- vii. Every appropriation lapses at the close of the fiscal year.

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

For the year ended September 30, 2022, expenditures exceeded appropriations as approved by the City Commission within two General Fund departments. Culture and recreation expenditures exceeded the budgeted amount by \$1,931 and debt service expenditures exceeded the budgeted amount by \$4,385.

**CITY OF ST. AUGUSTINE BEACH, FLORIDA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

<b>Federal Agency / Pass-Through Entity / Federal Program</b>	<b>Assistance Listing Number</b>	<b>Pass-Through / Grant Contract Identifying Number</b>	<b>Expenditures</b>
<b>FEDERAL AWARDS</b>			
<b>Department of Homeland Security</b>			
Passed through Florida Executive Office of the Governor:			
Hazard Mitigation Grant Program	97.039	DEM-21-HM-4283-55-Z9-H0608	\$ 1,393,872
Hazard Mitigation Grant Program	97.039	DEM-18-HM-04-55-02-H0103	32,213
Total Hazard Mitigation Grant Program			<u>1,426,085</u>
<b>Total Department of Homeland Security</b>			<u>1,426,085</u>
<b>Department of the Treasury</b>			
Passed through Florida Executive Office of the Governor:			
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	Y5297	3,510,913
<b>Total Department of the Treasury</b>			<u>3,510,913</u>
<b>Environmental Protection Agency</b>			
Passed through Florida Department of Environmental Protection:			
Costal Zone Management Program Administration	11.419	CZ317	11,000
<b>Total Environmental Protection Agency</b>			<u>11,000</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u>\$ 4,947,998</u>

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

**CITY OF ST. AUGUSTINE BEACH, FLORIDA**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2022**

(1) **Basis of Presentation:**

The accompanying schedule of expenditures of federal awards includes the federal grant awards of the City of St. Augustine Beach, Florida (the City), and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

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

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

(3) **De Minimis Indirect Cost Rate Election:**

The City has elected not to use the 10 percent *de minimis* indirect cost rate as allowed under Uniform Guidance.

(4) **Subrecipients:**

During the year ended September 30, 2022, the City provided no federal awards to subrecipients.

(5) **Contingency:**

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

**CITY OF ST. AUGUSTINE BEACH, FLORIDA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

**A. Summary of Auditors' Results:**

***Financial Statements:***

Type of audit report issued on the financial statements: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?   X   yes        no

Significant deficiency(ies) identified?   X   yes        none reported

Noncompliance material to financial statements noted?        yes   X   no

***Federal Awards:***

Internal control over major Federal programs:

Material weakness(es) identified?        yes   X   no

Significant deficiency(ies) identified?   X   yes        none reported

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

Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance?        yes   X   none reported

Identification of major Federal programs:

<b>Assistance Listing Number</b>	<b>Program Name</b>
21.027	COVID-19 – Coronavirus State and Local Fiscal Recovery Funds
97.039	Hazard Mitigation Grant Program

Dollar threshold used to distinguish between type A and type B Federal programs:   \$750,000  

Auditee qualified as low-risk auditee?        yes   X   no

**B. Financial Statement Findings:**

**2022-001 Reconciliation of General Ledger Account Balances**

*Condition:* We noted multiple general ledger balances including expenditures, payables and other liabilities, receivables, revenues, capital assets, and cash that required audit adjustments to be in compliance with generally accepted accounting principles in the United States of America.

*Criteria:* All balances should be reconciled to supporting documentation and reconciled with the general ledger.

**CITY OF ST. AUGUSTINE BEACH, FLORIDA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

*Cause:* The cause of the audit adjustments was due to not carefully reconciling supporting documentation to the general ledger account balances.

*Effect:* There would have been misstatements of the general ledger account balances at year-end if the audit adjustments had not been proposed.

*Recommendation:* We recommend the City review significant transactions monthly to ensure completeness and accuracy, as well as all account balances at year-end to ensure proper cutoff and accrual-based reconciliations agree to the general ledger.

**2022-002 Approval of Salaried Employees' Time**

*Condition:* Out of 40 employee paychecks tested, eight salaried employee had timesheets that were not properly approved by supervisors per the written payroll policy.

*Criteria:* The Coronavirus State and Local Fiscal Recovery Funds (CSLFRF) provides governments funding to recoup funds to the extent of revenue lost due to COVID-19. The Standard Allowance elected by the City permits governments to recoup revenue based on payroll expenditures. Per City policy, all employee timesheets, for both salaried and hourly employees, and pay rates must be approved.

*Cause:* The City changed to electronic timekeeping and deviated from the established review and approval process for salaried employee timesheets.

*Effect:* The missing timesheet approval could result in inaccurate timekeeping for salaried employees.

*Recommendation:* We recommend the City's established payroll policy be properly followed.

**C. Federal Programs Findings and Questioned Costs:**

**2022-002 – ALN #21.027 – Activities Allowed/Allowable Costs – Approval of Salaried Employees' Time**

See comment as described above.

**D. Summary Schedule of Prior Audit Findings:**

See Summary Schedule of Prior Audit Findings, as listed in the table of contents.

**E. Corrective Action Plan:**

See Management's Response to Findings, as listed in the table of contents.

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

To the Honorable Mayor, City Commission, and City Manager,  
City of St. Augustine Beach, Florida:

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

We have audited the City of St. Augustine Beach, Florida's (the City) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended September 30, 2022. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2022.

***Basis for Opinion on Each Major Federal Program***

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

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

***Responsibilities of Management for Compliance***

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

### ***Auditors' Responsibilities for the Audit of Compliance***

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

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

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

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

### **Report on Internal Control Over Compliance**

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

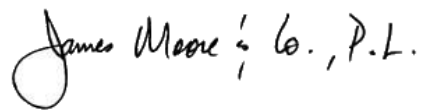
*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement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



weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2022-002 to be a significant deficiency.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed. *Government Auditing Standards* requires the auditor to perform limited procedures on the City's response to the internal control over compliance finding identified in our audit described in the accompanying schedule of findings and questioned costs. the City's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

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

Daytona Beach, Florida  
March 28, 2023

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

To the Honorable Mayor, City Commission, and City Manager,  
City of St. Augustine Beach, Florida:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of St. Augustine Beach, Florida (the City), as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 28, 2023.

***Internal Control over Financial Reporting***

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2022-001 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2022-002 to be a significant deficiency.

### ***Compliance and Other Matters***

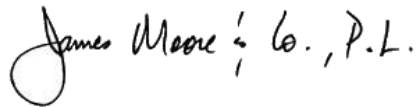
As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect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

### **City's Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on the City's response to the findings identified in our engagement and described in the accompanying management's response to findings on page 54. The City's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

### **Purpose of this Report**

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

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

Daytona Beach, Florida  
March 28, 2023

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

To the Honorable Mayor, City Commission, and City Manager,  
City of St. Augustine Beach, Florida:

**Report on the Financial Statements**

We have audited the financial statements of the City of St. Augustine Beach, Florida, as of and for the fiscal year ended September 30, 2022, and have issued our report thereon dated March 28, 2023.

**Auditors' Responsibility**

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

**Other Reporting Requirements**

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; Independent Auditors' Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance; Schedule of Findings and Questioned Costs; and Independent Accountants' Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated March 28, 2023, should be considered in conjunction with this management letter.

**Prior Audit Findings**

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. The following summarizes the status of prior year findings and recommendations:

**2021-001 Impact Fee Fund** – Corrective action taken.

**2021-002 Review of Pay Changes** – Corrective action taken.

**2021-003 State Revenue Accruals** – Corrective action not fully taken, see modified item 2022-001.

**2021-004 Interfund Activity** – Corrective action taken.

**2021-005 Unexpended Balance – Building Permits** – Previously reported as 2020-005, corrective action not taken. See 2022-004.

## **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. The legal authority for the primary government of the reporting entity is disclosed in Note (1)(a) of the basic financial statements.

## **Financial Condition and Management**

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

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

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

### **2022-003 – Budgetary Noncompliance**

We noted the expenditures in the General Fund Parks and Recreation department and debt service exceeded their respective budgeted amounts as approved by the City Commission, resulting in the City not being within legal budgetary compliance. While various operating transactions were approved, no respective budget amendments were made to adjust for the additional budgetary authority. To avoid such instances in the future, we recommend the City actively monitor budget-to-actual comparisons of expenditures throughout the year and ensure that any necessary budget amendments are brought to the City Commissioners on a timely basis.

### **2022-004 – Unexpended Balance – Building Permits (Repeat Comment)**

Section 553.80(7)(a) of Florida Statutes has been updated to limit the amount of unexpended building permit funds carried forward to future fiscal years to no more than the City's average operating budget for enforcing the Florida Building Code for the previous four (4) fiscal years. A local government must use any funds in excess of this limitation to rebate or reduce fees. The City's unexpended building permit funds at September 30, 2022, exceeded the City's average operating budget for enforcing the Florida Building Code for the previous four fiscal years by approximately \$231,000. The City should identify how it intends to reduce the amount of unexpected building code balances in order to comply with Section 553.80(7)(a) of Florida Statutes. Such action may require the City to modify its subsequent fiscal year budget.

### **2022-005 – Review of Compensated Absences Liability**

During testing of compensated absences, we noted a multiple employees with sick and leave time greater than the City's maximum leave policy. We recommend the City utilize the timekeeping accrual software's maximum time allowed function to prevent employees from accruing more than the maximum hours allowed by the City's policy. We noted one of those instances was due to an employee's use of leave time was not accounted for in the system. We recommend that accrued time entered into the timekeeping system to be reviewed to help prevent future discrepancies.

### **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; therefore, we did not note any such component units that failed to provide the necessary information, nor is any specific special district information required to be reported in accordance with Section 218.39(3)(b), Florida Statutes.

### **Additional Matters**

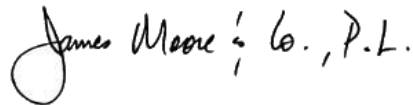
Section 10.554(1)(i)3., Rules of the Auditor General, requires us to communicate noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants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

### **City of St. Augustine Beach, Florida's Response to Findings**

The City's responses to the findings identified in our audit are described starting on page 54. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Letter**

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

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

Daytona Beach, Florida  
March 28, 2023

## INDEPENDENT ACCOUNTANTS' EXAMINATION REPORT

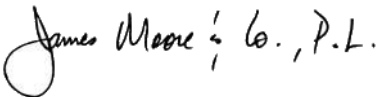
To the Honorable Mayor, City Commission, and City Manager,  
City of St. Augustine Beach, Florida

We have examined the City of St. Augustine Beach, Florida's (the City) compliance with Section 218.415, Florida Statutes, *Local Government Investment Policies*, for the year ended September 30, 2022. The City's management is responsible for the City's compliance with those requirements. Our responsibility is to obtain reasonable assurance by measuring (or evaluating) the City's compliance with those requirements and performing other procedures to obtain sufficient appropriate evidence to express an opinion that conveys the results of our measurement (or evaluation) based on our examination.

Our examination was conducted in accordance with the attestation standards for a direct examination engagement established by the AICPA. Those standards require that we obtain reasonable assurance by measuring (or evaluating) whether the City complied with Section 218.415, Florida Statutes, *Local Government Investment Policies*, for the year ended September 30, 2022, and performing other procedures to obtain sufficient appropriate evidence to express an opinion that conveys the results of our measurement or evaluation of the City's compliance during the year ended September 30, 2022. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance with those requirements, in all material respects, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

We are required to be independent of the City of St. Augustine Beach, Florida, and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our examination engagement.

In our opinion, the City of St. Augustine Beach, Florida complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2022.



Daytona Beach, Florida  
March 28, 2023



## City of St. Augustine Beach

2200 A1A South  
St. Augustine Beach, FL 32080  
[www.staugbch.com](http://www.staugbch.com)

City Mgr. (904) 471-2122  
Fax (904) 471-4108

Bldg. & Zoning (904) 471-8758  
Fax (904) 471-4470

### **Management's Response to the Auditor's Comments**

#### **2022-001 – Reconciliation of Account Balances**

The Finance Director is training finance staff to reconcile monthly transactions and reviewing them to ensure the completeness and accuracy of the entries into the city's financial statements.

#### **2022-002 – Approval of Salaried Employees' Time**

#### **2022-002 – ANL #21.027 – Activities Allowed/Allowable Costs – Approval of Salaried Employees' Time**

The City recognizes that with the switch to electronic timekeeping for the City, the policy for salaried employee timesheets was not updated accordingly. The City has engaged a contractor to review the policies currently in place and update them to reflect the new processes in place.

#### **2022-003 – Budgetary Noncompliance**

The Finance Department will be more pro-active in reviewing the budget amendments needed throughout the year, as well as at year-end, to ensure the City is in compliance.

#### **2022-004 – Unexpended Balance – Building Permits (Repeat Comment)**

Over the course of Fiscal Year 2022, the Building Official was able to reduce the amount being held from \$338,000 in Fiscal Year 2021 to \$231,000. Additional improvements to the Building Department in the current fiscal year are already planned to assist in this reduction.

#### **2022-005 – Review of Compensated Absences**

The City recognizes that there were a couple of employees for whom the maximum leave hours were not entered into the automated payroll system and has since made the correction. A monthly review of employee hours will be implemented to ensure there are no future errors.





## City of St. Augustine Beach

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### **Summary Schedule of Prior Audit Findings**

**2021-001 – Impact Fee Fund** – Corrective action taken.

**2021-002 – Review of Pay Changes** – Corrective action taken.

**2021-003 – State Revenue Accruals** – Corrective action not fully taken, see modified item 2022-001.

**2021-004 – Interfund Activity** – Corrective action taken.

**2021-005 – Unexpended Balance – Building Permits (Repeat Comment)** – Corrective action not taken, see 2022-004.



March 28, 2023

To the Honorable Mayor and City Commission Members,  
City of St. Augustine Beach, Florida:

We have audited the financial statements of the City of St. Augustine Beach, Florida (the City) as of and for the year ended September 30, 2022, and have issued our report thereon dated March 28, 2023. Professional standards require that we advise you of the following matters relating to our audit.

### **Our Responsibility in Relation to the Financial Statement Audit**

As communicated in our engagement letter dated August 10, 2018, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, as part of our audit, we considered the internal control of the City solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

We have provided our findings regarding significant control deficiencies over financial reporting and other matters noted during our audit in a separate letter to you dated March 28, 2023.

### **Planned Scope and Timing of the Audit**

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

### **Compliance with All Ethics Requirements Regarding Independence**

The engagement team, others in our firm, and our firm has complied with all relevant ethical requirements regarding independence.

We have applied safeguards related to our preparation of the City's financial statements, including, but not limited to, an assessment of management's skills, knowledge, and experience, and by obtaining a completed financial statement disclosure checklist from management.

### **Significant Risks Identified**

Professional standards require that we, as auditors, identify significant risks that impact the audit based upon the nature of the organization and design our audit procedures to adequately address those risks. As part of the audit process, we have identified the following significant risks, which are being communicated solely to comply with auditing standards and do not represent any specific finding and/or concerns related to the audit:

- Management override of internal controls – There is a risk that fraud could occur if management can direct employees to record adjustments and nonstandard journal entries outside of the normal accounting process or routine operations.
- Improper revenue recognition – There is a risk that fraud could occur resulting in overstated revenue to falsely inflate operations results.

Our audit was designed to adequately address the above risks and no issues were noted that impacted our ability to render an opinion on the financial statements.

### **Qualitative Aspects of the Entity's Significant Accounting Practices**

#### *Significant Accounting Policies*

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the City is included in Note 1 to the financial statements. As described in Note 14 to the financial statements, during the year, the entity changed its method of accounting for leases by adopting Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. There was no cumulative effect on beginning net position. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

#### *Significant Accounting Estimates*

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on 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 markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements are:

Management's estimate of useful lives for depreciation was based on past history within each capital asset class. We evaluated the key factors and assumptions used to develop the useful lives in determining that it is reasonable in relation to the financial statements taken as a whole and in relation to the applicable opinion units.

To the Honorable Mayor and City Commission Members,  
City of St. Augustine Beach, Florida  
March 28, 2023  
Page 3

Management's estimates of the net pension liability and total OPEB liability were based on actuarial factors and were calculated by actuaries independent of the City. We evaluated the key factors and assumptions used to develop the net pension liability and total OPEB liability in determining that it is reasonable in relation to the financial statements taken as a whole and in relation to the applicable opinion units.

#### *Financial Statement Disclosures*

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the City's financial statements relate to:

Note 4 summarizes the City's deposits and investments, including any risks or concentrations in investments held.

Notes 7 and 8 to the financial statements summarizes the City's long-term debt obligations, including future debt service payments.

Note 10 to the financial statements summarizes the basic information regarding the City's pension plans, the net pension liability, and the total OPEB liability.

Note 14 to the financial statements summarizes recently issued Governmental Accounting Standards Board pronouncements.

#### **Significant Unusual Transactions**

For purposes of this communication, professional standards require us to communicate to you significant unusual transactions identified during our audit. We identified no significant unusual transactions as a result of our audit procedures.

#### **Significant Difficulties Encountered during the Audit**

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

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

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole and each applicable opinion unit. The attached schedule summarizes uncorrected financial statement misstatements, if any, whose effects in the current and prior periods, as determined by management, are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. Uncorrected misstatements or matters underlying those uncorrected misstatements could potentially cause future-period financial statements to be materially misstated, even though the uncorrected misstatements are immaterial to the financial statements currently under audit. There were no such uncorrected misstatements in the current year.

To the Honorable Mayor and City Commission Members,  
City of St. Augustine Beach, Florida  
March 28, 2023  
Page 4

In addition, professional standards require us to communicate to you all significant, corrected misstatements that were brought to the attention of management as a result of our audit procedures. The following material misstatements that we identified as a result of our audit procedures were brought to the attention of, and corrected by, management:

- Approximately \$9,000 adjustment to correct accrued payroll that was incorrectly expended in the Road and Bridge Fund instead of the General Fund, including the related due to and due from interfund accounts.
- Approximately \$39,000 adjustment in the Road and Bridge Fund to reverse the prior year Local Option Gas Tax receivable and approximately \$68,000 adjustment in the General Fund to reverse the prior year FPL Municipal Tax receivable.
- Approximately \$111,000 adjustment to accrue additional construction services and construction-in-progress capital outlay expenditures in the Impact Fee Fund.

### **Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the City's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

### **Circumstances that Affect the Form and Content of the Auditor's Report**

For purposes of this letter, professional standards require that we communicate any circumstances that affect the form and content of our auditor's report. We identified no circumstances that affect the form and content of the auditor's report as a result of our audit procedures.

### **Representations Requested from Management**

We have requested certain representations from management that are included in the management representation letter dated March 28, 2023.

### **Management's Consultations with Other Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

### **Other Significant Matters, Findings, or Issues**

In the normal course of our professional association with the City, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, significant events or transactions that occurred during the year, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the City's auditors.

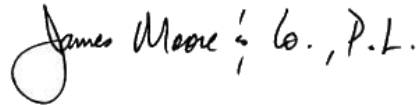
To the Honorable Mayor and City Commission Members,  
City of St. Augustine Beach, Florida  
March 28, 2023  
Page 5

### **Other Matters**

With respect to the supplementary information accompanying the financial statements, 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.

This report is intended solely for the information and use of the City Commission and management of the City of St. Augustine Beach, Florida and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

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

JAMES MOORE & CO., P.L.