

# 2023

City of Neptune Beach, Florida

Financial Statements and  
Independent Auditor's Report

September 30, 2023

**PURVIS GRAY**  
CERTIFIED PUBLIC ACCOUNTANTS

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

**CITY OF NEPTUNE BEACH, FLORIDA**

**SEPTEMBER 30, 2023**

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

**CITY OF NEPTUNE BEACH, FLORIDA**

**SEPTEMBER 30, 2023**

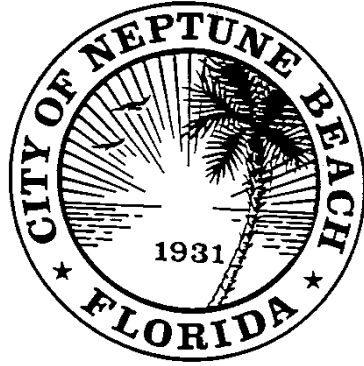
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# Introductory Section

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Annual Financial Report

**Elected Officials**

**Elaine Brown – Mayor**

**Kerry Chin – Vice Major**

**Lauren Key – Councilor**

**Josh Messinger – Councilor**

**Nia Livingston – Councilor**

\*

**City Council Appointed Officials**

CITY MANAGER – Richard J. Pike

CITY ATTORNEY – Zachary Roth

CITY CLERK – Catherine B. Ponson, C.M.C

\*

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

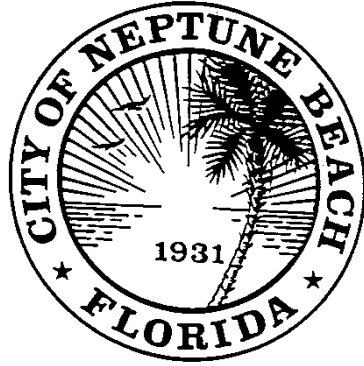
CHIEF OF POLICE – Michael J. Key, Jr.

CHIEF FINANCIAL OFFICER – Jaime F. Hernandez, MBA

PUBLIC WORKS DIRECTOR – Deryle Calhoon, Jr., P.E.

COMMUNITY DEVELOPMENT DIRECTOR – Heather Whitmore, AICO, PTP

SENIOR CENTER DIRECTOR – Leslie Lyne



# Financial Section

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Annual Financial Report

**INDEPENDENT AUDITOR’S REPORT**

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

**Report on the Financial Statements**

***Unmodified and Disclaimer of Opinions***

We have audited the accompanying financial statements of the Sanitation Fund, the Stormwater Utility Fund, the Paid Parking Fund, and the aggregate remaining fund information; and we were engaged to audit the governmental activities, the business-type activities, the general fund, and the water and sewer fund of the City of Neptune Beach, Florida (the City) as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements as listed in the table of contents.

Summary of Opinions

| <u>Opinion Unit</u>                  | <u>Type of Opinion</u> |
|--------------------------------------|------------------------|
| Governmental Activities              | Disclaimer             |
| Business-Type Activities             | Disclaimer             |
| General Fund                         | Disclaimer             |
| Water and Sewer Fund                 | Disclaimer             |
| Sanitation Fund                      | Unmodified             |
| Stormwater Utility Fund              | Unmodified             |
| Paid Parking Fund                    | Unmodified             |
| Aggregate Remaining Fund Information | Unmodified             |

Disclaimer of Opinions on the Governmental Activities, the Business-Type Activities, the General Fund, and the Water and Sewer Fund

We do not express an opinion on the governmental activities, the business-type activities, the general fund, and the water and sewer fund of the City as of and for the year ended September 30, 2023. Because of the significance of the matter described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements of these opinion units.

Unmodified Opinions on the Sanitation Fund, Stormwater Utility Fund, Paid Parking Fund, and Aggregate remaining fund information

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Sanitation Fund, the Stormwater Utility Fund, the Paid Parking Fund, and the aggregate remaining fund information of the City as of September 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**CERTIFIED PUBLIC ACCOUNTANTS**

Gainesville | Ocala | Tallahassee | Sarasota | Orlando | Tampa  
 purvisgray.com

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

## INDEPENDENT AUDITOR'S REPORT

### ***Basis for Disclaimer of Opinions***

The City posted several large entries to correct materially misstated balances in governmental activities and the general fund by posting them against miscellaneous revenues in governmental activities and the general fund. Additionally, adequate explanations could not be obtained for significant unusual analytical variances in revenues in business-type activities and the water and sewer fund. Because of this, we were unable to form an opinion regarding the amounts recorded as miscellaneous revenues in governmental activities and the general fund (stated as \$531,760 and \$527,275, respectively), and any related adjustments to revenue, expense, asset and/or liability accounts in governmental activities, business-type activities, the general fund, and the water and sewer fund that may have been found necessary.

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

We conducted our audit of the financial statements of the Sanitation fund, the Stormwater Utility Fund, the Paid Parking Fund, and the aggregate remaining fund information in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our unmodified audit opinions.

### ***Emphasis of a Matter***

#### ***New Accounting Policy***

As described in Note 1 to the financial statements, in 2023, the City adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 96, *Subscription-Based Technology Arrangements*. Our opinions are not modified with respect to this matter.

#### ***Restatement***

As described in Note 14 to the financial statements, the City restated beginning equity to correct an overstatement of beginning fund balance in the general fund and to correct an understatement of beginning net position in the stormwater fund and business-type activities. Our opinion is not modified with respect to this matter.

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

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

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

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

## INDEPENDENT AUDITOR'S REPORT

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

#### Auditor's Responsibilities for the Audit of the Governmental Activities, the Business-Type Activities, the General Fund, and the Water and Sewer Fund

Our responsibility is to conduct an audit of the City's financial statements in accordance with generally accepted auditing standards and to issue an auditor's report. However, because of the matter described in the Basis for Disclaimer of Opinions section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for audit opinions on the financial statements of the governmental activities, business-type activities, the general fund, and the water and sewer fund.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit.

#### Auditor's Responsibilities for the Audit of the Sanitation Fund, the Stormwater Utility Fund, the Paid Parking Fund, and the Aggregate Remaining Fund Information

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

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

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

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

## INDEPENDENT AUDITOR'S REPORT

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

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

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying combining and individual non-major fund financial statements and the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual non-major fund financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued a report, dated June 20, 2025, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

*Purvis Gray*

June 20, 2025  
Gainesville, Florida

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**SEPTEMBER 30, 2023**  
**CITY OF NEPTUNE BEACH, FLORIDA**

**Management's Discussion and Analysis**

The purpose of the Management's Discussion and Analysis (MD&A) is to provide an objective and easily readable analysis of the government's financial activities, based on currently known facts, decisions, or conditions. The Governmental Accounting Standards Board (GASB) has clearly mandated that MD&A and other required supplementary information (RSI) accompany the separately issued basic financial statements of any financial reporting entity or component unit. The management of the City of Neptune Beach (the City) offers readers of the City's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended September 30, 2023.

***Financial Highlights***

- At close of FY 2022-23, the City's assets and deferred outflows exceeded liabilities and deferred inflows by \$35,442,790 (net position). The net position of the City increased by \$4,597,820.
- As of September 30, 2023, the City's governmental funds reported combined ending fund balances of \$9,821,011, an increase of \$4,808,712 in comparison with the prior year.
- As of September 30, 2023, the unassigned fund balance for the general fund was \$5,341,286 or 62.02% of total General Fund expenditures of \$8,612,055.
- General fund revenues increased by \$1,461,039 or 17.50% when comparing FY22-23 \$9,819,863 to FY21-22 \$8,356,824.
- The City's outstanding notes payable and bonded debt decreased by \$333,163 or 15.47% during fiscal year 2023. This decrease was due to normal debt payments made during the fiscal year.

***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 are comprised of three components:

1. Government-wide financial statements,
2. Fund financial statements, and
3. Notes to the financial statements.

In addition to the basic financial statements, this report contains other required supplementary information to benefit users in understanding financial results.

***Government-Wide Financial Statements***

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

Statement of Net Position (Balance Sheet) presents information on all the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

**MANAGEMENT’S DISCUSSION AND ANALYSIS**  
**SEPTEMBER 30, 2023**  
**CITY OF NEPTUNE BEACH, FLORIDA**

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

Both government-wide financial statements distinguish the functions of the City that are principally supported by taxes, licenses and permits, and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, public works, culture, and recreation. The business-type activities of the City include water and sewer, sanitation, stormwater, and paid parking. The government-wide financial statements can be found on pages 14 - 15 of this report.

***Financial Fund Statements***

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

***Governmental Funds***

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a City’s near-term financing requirements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government’s near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**SEPTEMBER 30, 2023**  
**CITY OF NEPTUNE BEACH, FLORIDA**

***Proprietary Funds***

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

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

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and sewer fund, the sanitation fund, stormwater fund, and the paid parking fund, which are considered major funds of the City. The basic proprietary fund financial statements can be found on pages 20 - 23 of this report.

***Fiduciary Funds***

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

***Notes to the Financial Statements***

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes for the financial statements can be found on pages 26 - 51 of this report.

***Other Information***

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City's progress in funding its obligation to provide the Police Officers pension benefits and other postemployment benefits. Required supplementary information can be found on pages 52 - 59 of this report.

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information on the pension. Combining individual fund statements and schedules can be found on pages 60 - 74 of this report.

***Government-Wide Financial Analysis***

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows by \$35,442,790 at the close of the fiscal year ended September 30, 2023.

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2023  
CITY OF NEPTUNE BEACH, FLORIDA**

**City of Neptune Beach's Net Position  
September 30, 2023  
(In Thousands)**

|                                   | Governmental<br>Activities |                  | Business-Type<br>Activities |                  | Total            |                  |
|-----------------------------------|----------------------------|------------------|-----------------------------|------------------|------------------|------------------|
|                                   | 2023                       | 2022             | 2023                        | 2022             | 2023             | 2022             |
| Current and Other Assets          | \$ 9,289                   | \$ 8,581         | \$ 7,991                    | \$ 7,105         | \$ 17,280        | \$ 15,686        |
| Capital Assets                    | 6,933                      | 7,125            | 16,496                      | 16,161           | 23,429           | 23,286           |
| <b>Total Assets</b>               | <b>\$ 16,222</b>           | <b>\$ 15,706</b> | <b>\$ 24,487</b>            | <b>\$ 23,266</b> | <b>\$ 40,709</b> | <b>\$ 38,972</b> |
| Deferred Outflows                 | 2,926                      | 1,032            | 70                          | 52               | 2,996            | 1,084            |
| Long-Term Liabilities Outstanding | 1,147                      | 859              | 1,305                       | 2,107            | 2,452            | 2,966            |
| Other Liabilities                 | 3,297                      | 3,808            | 1,834                       | 1,221            | 5,131            | 5,029            |
| <b>Total Liabilities</b>          | <b>\$ 4,444</b>            | <b>\$ 4,667</b>  | <b>\$ 3,139</b>             | <b>\$ 3,328</b>  | <b>\$ 7,583</b>  | <b>\$ 7,995</b>  |
| Deferred Inflows                  | 576                        | 1,201            | 103                         | 15               | 679              | 1,216            |
| <b>Net Position</b>               |                            |                  |                             |                  |                  |                  |
| Net Investment in Capital Assets  | 6,617                      | 6,411            | 14,676                      | 13,969           | 21,293           | 20,380           |
| Restricted                        | 1,743                      | 1,728            | 2,642                       | 2,448            | 4,385            | 4,176            |
| Unrestricted                      | 5,768                      | 2,731            | 3,997                       | 3,558            | 9,765            | 6,289            |
| <b>Total Net Position</b>         | <b>\$ 14,128</b>           | <b>\$ 10,870</b> | <b>\$ 21,315</b>            | <b>\$ 19,975</b> | <b>\$ 35,443</b> | <b>\$ 30,845</b> |

The largest portion of the City's net position \$21,292,676 (60.08%) reflects its investment in capital assets (e.g., land, buildings, and equipment); less any related outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

A portion of the City's net position, \$4,386,391 (12.38%), represents resources that are subject to external restrictions on how they may be used. The remaining balance of the net position, \$9,763,723 (27.55%) represents the unrestricted net position. At the end of the current fiscal year, the City can report positive balances in total net position, both for the whole government, as well as for its separate governmental and business-type activities. The 2023 governmental activities unrestricted net position balance increased \$3,036,333 or 111.20% compared to the prior year.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**SEPTEMBER 30, 2023**  
**CITY OF NEPTUNE BEACH, FLORIDA**

Following is a summary of activities for the City during the fiscal years ended September 30, 2023, and 2022:

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

|  | Governmental Activities |                  | Business-Type Activities |                  | Total            |                  |
|--|-------------------------|------------------|--------------------------|------------------|------------------|------------------|
|  | 2023                    | 2022             | 2023                     | 2022             | 2023             | 2022             |
| <b>Revenues</b>                                |                         |                  |                          |                  |                  |                  |
| Program Revenues:                              |                         |                  |                          |                  |                  |                  |
| Charges for Services                           | \$ 468                  | \$ 557           | \$ 8,115                 | \$ 8,015         | \$ 8,583         | \$ 8,572         |
| Operating Grants & Contributions               | 4,363                   | 2,462            | -                        | -                | 4,363            | 2,462            |
| Capital Grant & Contributions                  | -                       | 38               | -                        | -                | -                | 38               |
| General Revenues:                              |                         |                  |                          |                  |                  |                  |
| Property Taxes                                 | 3,686                   | 3,345            | -                        | -                | 3,686            | 3,345            |
| Sales & Use Taxes                              | 954                     | 957              | -                        | -                | 954              | 957              |
| Franchise & Utility Taxes                      | 642                     | 612              | -                        | -                | 642              | 612              |
| Discretionary Sales & Surtax                   | 689                     | 667              | -                        | -                | 689              | 667              |
| State Revenue Sharing                          | 271                     | 272              | -                        | -                | 271              | 272              |
| Interest Revenue                               | 41                      | 15               | -                        | 2                | 41               | 17               |
| Miscellaneous                                  | 531                     | 810              | -                        | -                | 531              | 810              |
| <b>Total Revenues</b>                          | <b>11,645</b>           | <b>9,735</b>     | <b>8,115</b>             | <b>8,017</b>     | <b>19,760</b>    | <b>17,752</b>    |
| <b>Expenses</b>                                |                         |                  |                          |                  |                  |                  |
| General Government                             | 1,840                   | 1,654            | -                        | -                | 1,840            | 1,654            |
| Public Safety                                  | 4,903                   | 3,850            | -                        | -                | 4,903            | 3,850            |
| Public Works                                   | 1,220                   | 990              | -                        | -                | 1,220            | 990              |
| Culture & Recreation                           | 646                     | 442              | -                        | -                | 646              | 442              |
| Interest on Long-Term Debt                     | 3                       | -                | -                        | -                | 3                | -                |
| Water & Sewer                                  | -                       | -                | 3,940                    | 3,530            | 3,940            | 3,530            |
| Sanitation                                     | -                       | -                | 1,562                    | 1,517            | 1,562            | 1,517            |
| Stormwaters                                    | -                       | -                | 679                      | 605              | 679              | 605              |
| Paid Parking                                   | -                       | -                | 615                      | 732              | 615              | 732              |
| <b>Total Expenses</b>                          | <b>8,612</b>            | <b>6,936</b>     | <b>6,796</b>             | <b>6,384</b>     | <b>15,408</b>    | <b>13,320</b>    |
| <b>Net Increase (Decrease) in Net Position</b> |                         |                  |                          |                  |                  |                  |
| <b>Before Transfers</b>                        | 3,033                   | 2,799            | 1,319                    | 1,633            | 4,352            | 4,432            |
| Transfers                                      | 225                     | 40               | (225)                    | (40)             | -                | -                |
| <b>Increase (Decrease) in Net Position</b>     | 3,258                   | 2,839            | 1,094                    | 1,593            | 4,352            | 4,432            |
| Net Position - Beginning                       | 10,870                  | 8,031            | 20,221                   | 18,382           | 31,091           | 26,413           |
| <b>Total Net Position - Ending</b>             | <b>\$ 14,128</b>        | <b>\$ 10,870</b> | <b>\$ 21,315</b>         | <b>\$ 19,975</b> | <b>\$ 35,443</b> | <b>\$ 30,845</b> |

**Changes in Net Position**

**Governmental Activities**

Governmental activities increased the City's net position by \$3,257,907 accounting for a 29.97% increase in governmental net position.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**SEPTEMBER 30, 2023**  
**CITY OF NEPTUNE BEACH, FLORIDA**

***Business-Type Activities***

Business-type activities increased the City's net position by \$1,339,913 accounting for a 6.71% increase in business-type activities net position.

***Overall Financial Position***

The overall financial position of the City has improved by \$4,597,820, thereby accounting for a total increase in net position of 14.90%. This was attributable to the explanations given above for the governmental and business-type activities.

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

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

***Governmental Funds***

The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable resources*. Such information is useful in assessing the City's financing requirements. Unassigned *fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. At the end of fiscal year 2023, the City's governmental funds reported combined ending fund balances of \$5,012,299, an increase of \$2,929,745 in comparison with the prior year. This increase is mostly attributed to the City not starting any Capital Improvement projects during fiscal year 2021-22.

The general fund is the chief operating fund of the City. At the end of fiscal year 2023, the unassigned fund balance of the general fund was \$5,341,286 representing 62.02% of the total general fund expenditures and transfers out. The fund balance of the City's general fund increased by \$2,865,053 or 82.60% during the current fiscal year.

Non-major governmental funds consisting of special revenue funds and a capital project fund have a combined fund balance of \$1,512,806. The net increase in fund balance during the current year in non-major governmental funds was \$59,816 or 3.08%.

***Proprietary Funds***

The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net position in the proprietary funds at the end of the year amounted to \$3,996,860.

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2023  
CITY OF NEPTUNE BEACH, FLORIDA**

**Capital Asset and Debt Administration**

**Capital Assets**

The City's investment in capital assets for its governmental and business-type activities as of September 30, 2023, amounts to \$23,201,006 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements other than buildings, equipment, and construction in progress. The total increase in the City's investment in capital assets for the current fiscal year was \$629,002 or 2.79%.

**City of Neptune Beach's Capital Assets  
(Net of Depreciation)  
(in Thousands)**

|   | Governmental Activities |                 | Business-Type Activities |                  | Total            |                  |
|---|-------------------------|-----------------|--------------------------|------------------|------------------|------------------|
|   | 2023                    | 2022            | 2023                     | 2022             | 2023             | 2022             |
| Capital Assets Not Being Depreciated & Construction in Progress | \$ 84                   | \$ 1,934        | \$ 49                    | \$ 1,255         | \$ 133           | \$ 3,189         |
| Building and Other Improvements                                 | 5,780                   | 3,776           | 15,198                   | 13,930           | 20,978           | 17,706           |
| Equipment   | 754                     | 701             | 1,249                    | 975              | 2,003            | 1,676            |
| SBITAs  | 87                      | -               | -                        | -                | 87               | -                |
| <b>Total</b>  | <b>\$ 6,705</b>         | <b>\$ 6,411</b> | <b>\$ 16,496</b>         | <b>\$ 16,160</b> | <b>\$ 23,201</b> | <b>\$ 22,571</b> |

Additional information on the City of Neptune Beach's capital assets can be found in Note 7 on pages 39 - 40 of this report.

**Long-Term Debt**

At the end of fiscal year 2023, the City had total bonded debt outstanding of \$1,820,000. The City's debt represents a Water & Sewer Revenue Note.

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

|                           | Governmental Activities |             | Business-Type Activities |                 | Total           |                 |
|---------------------------|-------------------------|-------------|--------------------------|-----------------|-----------------|-----------------|
|                           | 2023                    | 2022        | 2023                     | 2022            | 2023            | 2022            |
| Sewer Line Loan           | \$ -                    | \$ -        | \$ 1,820                 | \$ 2,095        | \$ 1,820        | \$ 2,095        |
| State Revolving Fund Loan | -                       | -           | -                        | 58              | -               | 58              |
| <b>Total</b>              | <b>\$ -</b>             | <b>\$ -</b> | <b>\$ 1,820</b>          | <b>\$ 2,153</b> | <b>\$ 1,820</b> | <b>\$ 2,153</b> |

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**SEPTEMBER 30, 2023**  
**CITY OF NEPTUNE BEACH, FLORIDA**

The City's total debt decreased by \$333,162 (15.47%) during the current fiscal year. This decrease was due to normal debt payments made during the fiscal year.

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

Additional information on the City's long-term debt can be found in Note 8 on pages 40 - 42 of this report.

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

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

***Other Economic Factors:***

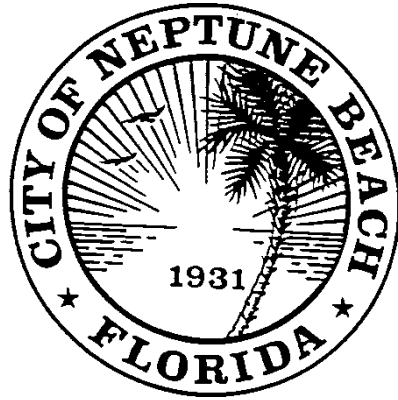
- The unemployment rate for the municipal service area decreased in fiscal year to 3.1%, which compares favorably with the state's average unemployment rate of 3.02%, and the national average unemployment rate of 3.8%.
- Inflationary trends in the region compare favorably to the state and national indices. Duval County average inflation rate was 3.4%, Florida average inflation rate was 8.0%, and nationwide average inflation rate was 4.7%.

***Budget Highlights:***

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

***Requests for Information***

This financial report is designed to provide a general overview of the City of Neptune Beach's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Neptune Beach, Finance Department Director, 116 First Street, Neptune Beach, Florida 32266.



# Basic Financial Statements

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Annual Financial Report

**STATEMENT OF NET POSITION**  
**SEPTEMBER 30, 2023**  
**CITY OF NEPTUNE BEACH, FLORIDA**

|   | Governmental<br>Activities | Business-Type<br>Activities | Total                |
|---|----------------------------|-----------------------------|----------------------|
| <b>Assets</b>                               |                            |                             |                      |
| Equity in Pooled Cash and Cash Equivalents  | \$ 7,698,793               | \$ 6,848,589                | \$ 14,547,382        |
| Equity in Pooled Investments                | 142,557                    | -                           | 142,557              |
| Accounts Receivable                         | -                          | 748,115                     | 748,115              |
| Due from Other Governments                  | 880,636                    | -                           | 880,636              |
| Current Portion of Leases Receivable        | 65,280                     | -                           | 65,280               |
| Internal Balances                           | 501,314                    | (501,314)                   | -                    |
| Prepaid Expenses                            | 26                         | -                           | 26                   |
| Restricted Assets:                          |                            |                             |                      |
| Equity in Pooled Cash and Cash Equivalents  | -                          | 895,880                     | 895,880              |
| Long-Term Portion of Leases Receivable      | 227,508                    | -                           | 227,508              |
| Capital Assets:                             |                            |                             |                      |
| Land  | 37,861                     | -                           | 37,861               |
| Construction in Progress                    | 45,994                     | 49,407                      | 95,401               |
| Buildings                                   | 5,924,620                  | 3,456,223                   | 9,380,843            |
| Improvements Other Than Buildings           | 4,867,955                  | 26,758,661                  | 31,626,616           |
| Equipment                                   | 4,184,490                  | 6,286,843                   | 10,471,333           |
| SBITAs                                      | 134,704                    | -                           | 134,704              |
| (Accumulated Depreciation and Amortization) | (8,490,217)                | (20,055,535)                | (28,545,752)         |
| <b>Total Assets</b>                         | <b>16,221,521</b>          | <b>24,486,869</b>           | <b>40,708,390</b>    |
| <b>Deferred Outflows of Resources</b>       |                            |                             |                      |
| Pension-Related                             | 2,757,764                  | -                           | 2,757,764            |
| OPEB-Related                                | 168,166                    | 70,228                      | 238,394              |
| <b>Total Deferred Outflows of Resources</b> | <b>2,925,930</b>           | <b>70,228</b>               | <b>2,996,158</b>     |
| <b>Liabilities</b>                          |                            |                             |                      |
| Accounts Payable and Accrued Liabilities    | 709,055                    | 687,147                     | 1,396,202            |
| Unearned Revenue                            | 3,383                      | -                           | 3,383                |
| Deposits                                    | 25,122                     | -                           | 25,122               |
| Due to Other Governments                    | 30,621                     | -                           | 30,621               |
| Current Portion of SBITAs Payable           | 47,528                     | -                           | 47,528               |
| Compensated Absences - Current              | 331,090                    | 86,460                      | 417,550              |
| Payable from Restricted Assets:             |                            |                             |                      |
| Deposits                                    | -                          | 220,319                     | 220,319              |
| Accrued Interest Payable                    | -                          | 30,709                      | 30,709               |
| Current Portion of Loans Payable            | -                          | 280,000                     | 280,000              |
| Non-Current Liabilities:                    |                            |                             |                      |
| Compensated Absences - Non-Current          | 106,852                    | 60,657                      | 167,509              |
| SBITAs Payable Long-Term                    | 40,802                     | -                           | 40,802               |
| Loans Payable Long-Term                     | -                          | 1,540,000                   | 1,540,000            |
| OPEB Liability                              | 559,355                    | 232,953                     | 792,308              |
| Net Pension Liability                       | 2,590,460                  | -                           | 2,590,460            |
| <b>Total Liabilities</b>                    | <b>4,444,268</b>           | <b>3,138,245</b>            | <b>7,582,513</b>     |
| <b>Deferred Inflows of Resources</b>        |                            |                             |                      |
| Pension-Related                             | 42,300                     | -                           | 42,300               |
| OPEB-Related                                | 251,039                    | 103,484                     | 354,523              |
| Leases-Related                              | 282,422                    | -                           | 282,422              |
| <b>Total Deferred Inflows of Resources</b>  | <b>575,761</b>             | <b>103,484</b>              | <b>679,245</b>       |
| <b>Net Position</b>                         |                            |                             |                      |
| Net Investment in Capital Assets            | 6,617,077                  | 14,675,599                  | 21,292,676           |
| Restricted for:                             |                            |                             |                      |
| Capital Projects                            | 1,648,218                  | -                           | 1,648,218            |
| Debt Service                                | -                          | 510,492                     | 510,492              |
| Renewal and Replacement                     | -                          | 165,069                     | 165,069              |
| Other Purposes                              | 243,264                    | 1,967,348                   | 2,210,612            |
| Unrestricted                                | 5,618,863                  | 3,996,860                   | 9,615,723            |
| <b>Total Net Position</b>                   | <b>\$ 14,127,422</b>       | <b>\$ 21,315,368</b>        | <b>\$ 35,442,790</b> |

See accompanying notes.

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2023  
CITY OF NEPTUNE BEACH, FLORIDA**

| Function/Program Activities           | Program Revenues     |                      |                                    |                                  | Net (Expense) Revenue and Changes in Net Position |                          |                    |
|---------------------------------------|----------------------|----------------------|------------------------------------|----------------------------------|---|--------------------------|--------------------|
|                                       | Expenses             | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Primary Government                                |                          | Total              |
|                                       |                      |                      |                                    |                                  | Governmental Activities                           | Business-Type Activities |                    |
| <b>Primary Government</b>             |                      |                      |                                    |                                  |   |                          |                    |
| Governmental Activities:              |                      |                      |                                    |                                  |   |                          |                    |
| General Government                    | \$ 1,839,520         | \$ 355,434           | \$ 23,240                          | \$ -                             | \$ (1,460,846)                                    | \$ -                     | \$ (1,460,846)     |
| Public Safety                         | 4,903,482            | 88,793               | 3,365,030                          | -                                | (1,449,659)                                       | -                        | (1,449,659)        |
| Public Works                          | 1,219,649            | -                    | 488,453                            | -                                | (731,196)   | -                        | (731,196)          |
| Culture and Recreation                | 646,083              | 23,609               | 485,817                            | -                                | (136,657)   | -                        | (136,657)          |
| Interest on Long-Term Debt            | 3,321                | -                    | -                                  | -                                | (3,321)   | -                        | (3,321)            |
| <b>Total Governmental Activities</b>  | <b>8,612,055</b>     | <b>467,836</b>       | <b>4,362,540</b>                   | <b>-</b>                         | <b>(3,781,679)</b>                                | <b>-</b>                 | <b>(3,781,679)</b> |
| Business-Type Activities:             |                      |                      |                                    |                                  |   |                          |                    |
| Water and Sewer                       | 3,939,849            | 4,684,511            | -                                  | -                                | -   | 744,662                  | 744,662            |
| Sanitation                            | 1,562,045            | 1,379,544            | -                                  | -                                | -   | (182,501)                | (182,501)          |
| Storm Water Utility                   | 679,185              | 1,212,843            | -                                  | -                                | -   | 533,658                  | 533,658            |
| Parking                               | 614,561              | 838,360              | -                                  | -                                | -   | 223,799                  | 223,799            |
| <b>Total Business-Type Activities</b> | <b>6,795,640</b>     | <b>8,115,258</b>     | <b>-</b>                           | <b>-</b>                         | <b>-</b>  | <b>1,319,618</b>         | <b>1,319,618</b>   |
| <b>Total Primary Government</b>       | <b>\$ 15,407,695</b> | <b>\$ 8,583,094</b>  | <b>\$ 4,362,540</b>                | <b>\$ -</b>                      | <b>(3,781,679)</b>                                | <b>1,319,618</b>         | <b>(2,462,061)</b> |

**General Revenues**

Taxes:

|   |                      |                      |                      |
|---|----------------------|----------------------|----------------------|
| Property Taxes                                    | 3,685,590            | -                    | 3,685,590            |
| Sales and Use Taxes                               | 954,407              | -                    | 954,407              |
| Franchise and Utility Taxes                       | 641,527              | -                    | 641,527              |
| State Revenue Sharing                             | 271,400              | -                    | 271,400              |
| Discretionary Sales Surtax                        | 688,840              | -                    | 688,840              |
| Interest Revenue                                  | 41,062               | -                    | 41,062               |
| Miscellaneous                                     | 531,760              | -                    | 531,760              |
| <b>Transfers</b>                                  | <b>225,000</b>       | <b>(225,000)</b>     | <b>-</b>             |
| <b>Total General Revenues and Transfers</b>       | <b>7,039,586</b>     | <b>(225,000)</b>     | <b>6,814,586</b>     |
| <b>Change in Net Position</b>                     | <b>3,257,907</b>     | <b>1,094,618</b>     | <b>4,352,525</b>     |
| <b>Net Position, Beginning of Year</b>            | <b>10,869,515</b>    | <b>19,975,455</b>    | <b>30,844,970</b>    |
| <b>Prior Period Adjustment</b>                    | <b>-</b>             | <b>245,295</b>       | <b>245,295</b>       |
| <b>Net Position, Beginning of Year (Restated)</b> | <b>10,869,515</b>    | <b>20,220,750</b>    | <b>31,090,265</b>    |
| <b>Net Position, End of Year</b>                  | <b>\$ 14,127,422</b> | <b>\$ 21,315,368</b> | <b>\$ 35,442,790</b> |

See accompanying notes.

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2023  
CITY OF NEPTUNE BEACH, FLORIDA**

|  | <u>General<br/>Fund</u> | <u>Non-Major<br/>Governmental<br/>Funds</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|--|-------------------------|---|---|
| <b>Assets</b>  |                         |   |   |
| Equity in Pooled Cash and<br>Cash Equivalents                                  | \$ 5,766,868            | \$ 1,931,925                                | \$ 7,698,793                            |
| Equity in Pooled Investments   | 142,557                 | -   | 142,557                                 |
| Due from Other Governments   | 765,304                 | 115,332                                     | 880,636                                 |
| Current Portion of Leases Receivable   | 65,280                  | -   | 65,280                                  |
| Due from Other Funds   | 644,211                 | 162,000                                     | 806,211                                 |
| Prepaid Expense  | -                       | 26  | 26                                      |
| Long-Term Portion of Leases Receivable   | 227,508                 | -   | 227,508                                 |
| <b>Total Assets</b>  | <u>7,611,728</u>        | <u>2,209,283</u>                            | <u>9,821,011</u>                        |
| <b>Liabilities, Deferred Inflows of<br/>Resources, and Fund Balances</b>       |                         |   |   |
| <b>Liabilities</b>   |                         |   |   |
| Accounts Payable and Accrued<br>Liabilities                                    | 465,475                 | 243,580                                     | 709,055                                 |
| Due to Other Governments   | 30,621                  | -   | 30,621                                  |
| Due to Other Funds   | -                       | 304,897                                     | 304,897                                 |
| Unearned Revenue   | 3,383                   | -   | 3,383                                   |
| Deposits   | 25,122                  | -   | 25,122                                  |
| <b>Total Liabilities</b>   | <u>524,601</u>          | <u>548,477</u>                              | <u>1,073,078</u>                        |
| <b>Deferred Inflows of Resources</b>   |                         |   |   |
| Leases   | 282,422                 | -   | 282,422                                 |
| Unavailable Resources  | 619,146                 | -   | 619,146                                 |
| <b>Total Deferred Inflows of Resources</b>                                     | <u>901,568</u>          | <u>-</u>                                    | <u>901,568</u>                          |
| <b>Fund Balances</b>   |                         |   |   |
| Restricted for:  |                         |   |   |
| Public Safety  | -                       | 59,627                                      | 59,627                                  |
| Capital Outlay   | -                       | 1,648,218                                   | 1,648,218                               |
| Other  | -                       | 183,637                                     | 183,637                                 |
| Assigned:  |                         |   |   |
| Community Development  | -                       | 279,324                                     | 279,324                                 |
| Subsequent Year's Budget   | 992,273                 | -   | 992,273                                 |
| Unassigned   | 5,193,286               | (510,000)                                   | 4,683,286                               |
| <b>Total Fund Balances</b>   | <u>6,185,559</u>        | <u>1,660,806</u>                            | <u>7,846,365</u>                        |
| <b>Total Liabilities, Deferred Inflows of<br/>Resources, and Fund Balances</b> | <u>\$ 7,611,728</u>     | <u>\$ 2,209,283</u>                         | <u>\$ 9,821,011</u>                     |

See accompanying notes.

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
SEPTEMBER 30, 2023  
CITY OF NEPTUNE BEACH, FLORIDA**

|  |        |                              |
|--|--------|------------------------------|
| <b>Fund Balances - Total Governmental Funds</b>  | \$     | 7,846,365                    |
| <br><b>Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:</b>  |        |                              |
| <br>Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet:   |        |                              |
| Capital Assets - Net   |        | 6,705,407                    |
| <br>Certain pension and other postemployment benefits (OPEB) related amounts are being deferred and amortized over a period of years or are being deferred as contributions to the pension or OPEB plan made after the measurement date: |        |                              |
| Deferred Outflows Related to OPEB  |        | 168,166                      |
| Deferred Inflows Related to OPEB   |        | (251,039)                    |
| Deferred Outflows Related to Pension   |        | 2,757,764                    |
| Deferred Inflows Related to Pension  |        | (42,300)                     |
| <br>Some revenues have been deferred on the balance sheet because they were not measurable and available at year-end.  |        |                              |
|  |        | 619,146                      |
| <br>Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:  |        |                              |
| SBITAs   |        | (88,330)                     |
| Net Pension (Asset) Liability  |        | (2,590,460)                  |
| Postemployment Benefit Obligation  |        | (559,355)                    |
| Compensated Absences   |        | (437,942)                    |
|  |        | (4,076,087)                  |
| <br><b>Net Position of Governmental Activities</b>   | <br>\$ | <br><u><u>14,127,422</u></u> |

See accompanying notes.

**STATEMENTS OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2023  
CITY OF NEPTUNE BEACH, FLORIDA**

|  | <b>General<br/>Fund</b> | <b>Non-Major<br/>Governmental<br/>Funds</b> | <b>Total<br/>Governmental<br/>Funds</b> |
|--|-------------------------|---|---|
| <b>Revenues</b>  |                         |   |   |
| Taxes  | \$ 3,955,313            | \$ 1,094,123                                | \$ 5,049,436                            |
| Charges for Services   | 13,303                  | 23,609                                      | 36,912                                  |
| Licenses and Permits   | 342,566                 | -   | 342,566                                 |
| Franchise Fees   | 370,277                 | -   | 370,277                                 |
| Intergovernmental  | 4,525,141               | 123,751                                     | 4,648,892                               |
| Fines and Forfeitures  | 44,926                  | 43,432                                      | 88,358                                  |
| Investment Income  | 41,062                  | -   | 41,062                                  |
| Miscellaneous  | 527,275                 | 205,529                                     | 732,804                                 |
| <b>Total Revenues</b>  | <u>9,819,863</u>        | <u>1,490,444</u>                            | <u>11,310,307</u>                       |
| <b>Expenditures</b>  |                         |   |   |
| Current:   |                         |   |   |
| General Government   | 1,745,101               | -   | 1,745,101                               |
| Public Safety  | 4,273,881               | -   | 4,273,881                               |
| Public Works   | 765,848                 | 317,753                                     | 1,083,601                               |
| Culture and Recreation   | 298,768                 | 147,706                                     | 446,474                                 |
| Capital Outlay   | 470,601                 | 557,972                                     | 1,028,573                               |
| Debt Service:  |                         |   |   |
| Principal  | 46,374                  | -   | 46,374                                  |
| Interest   | 3,321                   | -   | 3,321                                   |
| <b>(Total Expenditures)</b>  | <u>(7,603,894)</u>      | <u>(1,023,431)</u>                          | <u>(8,627,325)</u>                      |
| <b>Excess (Deficiency) of Revenues Over<br/>(Under) Expenditures</b> | <u>2,215,969</u>        | <u>467,013</u>                              | <u>2,682,982</u>                        |
| <b>Other Financing Sources (Uses)</b>                                |                         |   |   |
| Proceeds on Sale of Capital Assets                                   | 49,640                  | -   | 49,640                                  |
| SBITAs   | 134,704                 | -   | 134,704                                 |
| Transfers In   | 575,000                 | -   | 575,000                                 |
| Transfers (Out)  | -                       | (350,000)                                   | (350,000)                               |
| <b>Total Other Financing Sources (Uses)</b>                          | <u>759,344</u>          | <u>(350,000)</u>                            | <u>409,344</u>                          |
| <b>Net Changes in Fund Balances</b>                                  | <u>2,975,313</u>        | <u>117,013</u>                              | <u>3,092,326</u>                        |
| <b>Fund Balances, Beginning of Year</b>                              | 3,468,506               | 1,543,793                                   | 5,012,299                               |
| <b>Prior Period Adjustment</b>                                       | <u>(258,260)</u>        | <u>-</u>                                    | <u>(258,260)</u>                        |
| <b>Fund Balances, Beginning of Year (Restated)</b>                   | <u>3,210,246</u>        | <u>1,543,793</u>                            | <u>4,754,039</u>                        |
| <b>Fund Balances, End of Year</b>                                    | <u>\$ 6,185,559</u>     | <u>\$ 1,660,806</u>                         | <u>\$ 7,846,365</u>                     |

See accompanying notes.

**RECONCILIATION OF THE STATEMENTS OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO  
THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2023  
CITY OF NEPTUNE BEACH, FLORIDA**

**Net Change in Fund Balances - Total Governmental Funds** \$ 3,092,326

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

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

|                                 |                  |         |
|---------------------------------|------------------|---------|
| Expenditures for Capital Assets | \$ 952,886       |         |
| (Current Year Depreciation)     | <u>(658,845)</u> | 294,041 |

The changes in net pension liability and pension-related deferred outflows and inflows of resources result in an adjustment to pension expense in the Statement of Activities, but not in the governmental fund statements. (373,986)

The changes in net OPEB obligation and OPEB related deferred outflows and inflows of resources result in an adjustment to OPEB expense in the Statement of Activities, but not in the governmental fund statements. 40,861

Some revenues have been deferred in the governmental funds because they were not available at year-end, but have been recognized in the Statement of Activities. 360,886

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes current financial resources of governmental funds. Neither transaction, however, has any effect on net position.

|                        |  |           |
|------------------------|--|-----------|
| SBITAs                 |  | (134,704) |
| Repayment of Principal |  | 46,374    |

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

|  |  |                 |
|--|--|-----------------|
| Change in Compensated Absences Payable |  | <u>(67,891)</u> |
|--|--|-----------------|

**Change in Net Position of Governmental Activities** \$ 3,257,907

See accompanying notes.

**STATEMENT OF NET POSITION  
 PROPRIETARY FUNDS  
 SEPTEMBER 30, 2023  
 CITY OF NEPTUNE BEACH, FLORIDA**

|   | Business-Type Activities - Enterprise Funds |                          |                                     |                               | Total             |
|---|---|--------------------------|-------------------------------------|-------------------------------|-------------------|
|   | Major Fund<br>Water and<br>Sewer            | Major Fund<br>Sanitation | Major Fund<br>Stormwater<br>Utility | Major Fund<br>Paid<br>Parking |                   |
| <b>Assets</b>                               |   |                          |                                     |                               |                   |
| Current Assets:                             |   |                          |                                     |                               |                   |
| Equity in Pooled Cash and Cash              |   |                          |                                     |                               |                   |
| Equivalents                                 | \$ 3,865,825                                | \$ -                     | \$ 2,815,269                        | \$ 167,495                    | \$ 6,848,589      |
| Accounts Receivable, Net of Allowance       | 547,607                                     | 128,662                  | 61,479                              | 10,367                        | 748,115           |
| <b>Total Current Assets</b>                 | <b>4,413,432</b>                            | <b>128,662</b>           | <b>2,876,748</b>                    | <b>177,862</b>                | <b>7,596,704</b>  |
| Non-Current Assets:                         |   |                          |                                     |                               |                   |
| Equity in Pooled Restricted Cash            |   |                          |                                     |                               |                   |
| and Cash Equivalents                        | 895,880                                     | -                        | -                                   | -                             | 895,880           |
| Capital Assets:                             |   |                          |                                     |                               |                   |
| Buildings                                   | 3,456,223                                   | -                        | -                                   | -                             | 3,456,223         |
| Improvements Other Than Buildings           | 25,177,686                                  | -                        | 1,580,975                           | -                             | 26,758,661        |
| Equipment                                   | 4,795,112                                   | 301,456                  | 1,022,009                           | 168,266                       | 6,286,843         |
| Construction in Progress                    | -   | -                        | 49,407                              | -                             | 49,407            |
| (Less Accumulated Depreciation)             | (18,927,302)                                | (301,456)                | (771,668)                           | (55,109)                      | (20,055,535)      |
| <b>Total Capital Assets</b>                 | <b>14,501,719</b>                           | <b>-</b>                 | <b>1,880,723</b>                    | <b>113,157</b>                | <b>16,495,599</b> |
| <b>Total Non-Current Assets</b>             | <b>15,397,599</b>                           | <b>-</b>                 | <b>1,880,723</b>                    | <b>113,157</b>                | <b>17,391,479</b> |
| <b>Total Assets</b>                         | <b>19,811,031</b>                           | <b>128,662</b>           | <b>4,757,471</b>                    | <b>291,019</b>                | <b>24,988,183</b> |
| <b>Deferred Outflows of Resources</b>       |   |                          |                                     |                               |                   |
| OPEB-Related                                | 52,820                                      | 6,365                    | 6,095                               | 4,948                         | 70,228            |
| <b>Total Deferred Outflows of Resources</b> | <b>52,820</b>                               | <b>6,365</b>             | <b>6,095</b>                        | <b>4,948</b>                  | <b>70,228</b>     |

See accompanying notes.

**STATEMENT OF NET POSITION  
 PROPRIETARY FUNDS  
 SEPTEMBER 30, 2023  
 CITY OF NEPTUNE BEACH, FLORIDA**

|   | Business-Type Activities - Enterprise Funds |                          |                                     |                               | Total                |
|---|---|--------------------------|-------------------------------------|-------------------------------|----------------------|
|   | Major Fund<br>Water and<br>Sewer            | Major Fund<br>Sanitation | Major Fund<br>Stormwater<br>Utility | Major Fund<br>Paid<br>Parking |                      |
| <b>Liabilities</b>  |   |                          |                                     |                               |                      |
| Current Liabilities Payable from Unrestricted Assets:             |   |                          |                                     |                               |                      |
| Accounts Payable and Accrued Liabilities                          | \$ 391,006                                  | \$ 125,462               | \$ 98,710                           | \$ 71,969                     | \$ 687,147           |
| Loans Payable - Current Portion                                   | 280,000                                     | -                        | -                                   | -                             | 280,000              |
| Compensated Absences  | 70,277                                      | -                        | 16,183                              | -                             | 86,460               |
| Due to Other Funds  | -   | 333,461                  | -                                   | 167,853                       | 501,314              |
| <b>Total Current Liabilities Payable from Unrestricted Assets</b> | <b>741,283</b>                              | <b>458,923</b>           | <b>114,893</b>                      | <b>239,822</b>                | <b>1,554,921</b>     |
| Current Liabilities Payable from Restricted Assets:               |   |                          |                                     |                               |                      |
| Deposits  | 220,319                                     | -                        | -                                   | -                             | 220,319              |
| Accrued Interest Payable  | 30,709                                      | -                        | -                                   | -                             | 30,709               |
| <b>Total Current Liabilities Payable from Restricted Assets</b>   | <b>251,028</b>                              | <b>-</b>                 | <b>-</b>                            | <b>-</b>                      | <b>251,028</b>       |
| Non-Current Liabilities:  |   |                          |                                     |                               |                      |
| Compensated Absences  | 49,304                                      | -                        | 11,353                              | -                             | 60,657               |
| Loans Payable   | 1,540,000                                   | -                        | -                                   | -                             | 1,540,000            |
| OPEB  | 158,675                                     | 14,959                   | 38,611                              | 20,708                        | 232,953              |
| <b>Total Non-Current Liabilities</b>                              | <b>1,747,979</b>                            | <b>14,959</b>            | <b>49,964</b>                       | <b>20,708</b>                 | <b>1,833,610</b>     |
| <b>Total Liabilities</b>  | <b>2,740,290</b>                            | <b>473,882</b>           | <b>164,857</b>                      | <b>260,530</b>                | <b>3,639,559</b>     |
| <b>Deferred Inflows of Resources</b>                              |   |                          |                                     |                               |                      |
| OPEB-Related  | 70,760                                      | 6,905                    | 16,434                              | 9,385                         | 103,484              |
| <b>Total Deferred Inflows of Resources</b>                        | <b>70,760</b>                               | <b>6,905</b>             | <b>16,434</b>                       | <b>9,385</b>                  | <b>103,484</b>       |
| <b>Net Position</b>   |   |                          |                                     |                               |                      |
| Net Investment in Capital Assets                                  | 12,681,719                                  | -                        | 1,880,723                           | 113,157                       | 14,675,599           |
| Restricted for:   |   |                          |                                     |                               |                      |
| Debt Service  | 510,492                                     | -                        | -                                   | -                             | 510,492              |
| Renewal and Replacement   | 165,069                                     | -                        | -                                   | -                             | 165,069              |
| Stormwater  | -   | -                        | 1,967,348                           | -                             | 1,967,348            |
| Unrestricted  | 3,695,521                                   | (345,760)                | 734,204                             | (87,105)                      | 3,996,860            |
| <b>Total Net Position</b>   | <b>\$ 17,052,801</b>                        | <b>\$ (345,760)</b>      | <b>\$ 4,582,275</b>                 | <b>\$ 26,052</b>              | <b>\$ 21,315,368</b> |

See accompanying notes.

**STATEMENT OF REVENUES, EXPENSES, AND  
CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2023  
CITY OF NEPTUNE BEACH, FLORIDA**

|   | <b>Business-Type Activities - Enterprise Funds</b> |                                  |  |  | <b>Total</b>         |
|---|--|----------------------------------|--|--|----------------------|
|   | <b>Major Fund<br/>Water and<br/>Sewer</b>          | <b>Major Fund<br/>Sanitation</b> | <b>Major Fund<br/>Stormwater<br/>Utility</b> | <b>Major Fund<br/>Paid<br/>Parking</b> |                      |
| <b>Operating Revenues</b>                         |  |                                  |  |  |                      |
| Charges for Services                              | \$ 4,635,927                                       | \$ 1,379,544                     | \$ 1,212,843                                 | \$ 829,131                             | \$ 8,057,445         |
| Connection Fees and Impact Fees                   | 48,584   | -                                | -  | 9,229                                  | 57,813               |
| <b>Total Operating Revenues</b>                   | <b>4,684,511</b>                                   | <b>1,379,544</b>                 | <b>1,212,843</b>                             | <b>838,360</b>                         | <b>8,115,258</b>     |
| <b>Operating Expenses</b>                         |  |                                  |  |  |                      |
| Personal Services                                 | 1,661,594  | 142,550                          | 391,236                                      | 172,781                                | 2,368,161            |
| Utilities   | 230,821  | -                                | -  | 4,483                                  | 235,304              |
| Supplies and Materials                            | 507,514  | 6,029                            | 27,829                                       | 48,575                                 | 589,947              |
| Contractual Services                              | 171,238  | 1,406,073                        | 132,703                                      | 77,436                                 | 1,787,450            |
| Depreciation and Amortization                     | 845,801  | -                                | 82,471                                       | 13,008                                 | 941,280              |
| Repairs and Maintenance                           | 390,896  | 5,050                            | 43,574                                       | 12,334                                 | 451,854              |
| Insurance   | 3,102  | -                                | 802  | 23,966                                 | 27,870               |
| Other Operating                                   | 66,772   | 2,343                            | -  | 261,978                                | 331,093              |
| <b>(Total Operating Expenses)</b>                 | <b>(3,877,738)</b>                                 | <b>(1,562,045)</b>               | <b>(678,615)</b>                             | <b>(614,561)</b>                       | <b>(6,732,959)</b>   |
| <b>Operating Income</b>                           | <b>806,773</b>                                     | <b>(182,501)</b>                 | <b>534,228</b>                               | <b>223,799</b>                         | <b>1,382,299</b>     |
| <b>Non-Operating Revenues (Expenses)</b>          |  |                                  |  |  |                      |
| Interest/Amortization Expense                     | (62,111)   | -                                | (570)  | -                                      | (62,681)             |
| <b>Total Non-Operating Revenues (Expenses)</b>    | <b>(62,111)</b>                                    | <b>-</b>                         | <b>(570)</b>                                 | <b>-</b>                               | <b>(62,681)</b>      |
| <b>Income Before Operating Transfers</b>          | <b>744,662</b>                                     | <b>(182,501)</b>                 | <b>533,658</b>                               | <b>223,799</b>                         | <b>1,319,618</b>     |
| <b>Transfers</b>                                  |  |                                  |  |  |                      |
| Transfers In                                      | -  | -                                | 442,130                                      | -                                      | 442,130              |
| Transfers (Out)                                   | (562,130)  | -                                | -  | (105,000)                              | (667,130)            |
| <b>Total Transfers</b>                            | <b>(562,130)</b>                                   | <b>-</b>                         | <b>442,130</b>                               | <b>(105,000)</b>                       | <b>(225,000)</b>     |
| <b>Change in Net Position</b>                     | <b>182,532</b>                                     | <b>(182,501)</b>                 | <b>975,788</b>                               | <b>118,799</b>                         | <b>1,094,618</b>     |
| <b>Total Net Position, Beginning of Year</b>      | <b>16,870,269</b>                                  | <b>(163,259)</b>                 | <b>3,361,192</b>                             | <b>(92,747)</b>                        | <b>19,975,455</b>    |
| <b>Prior Period Adjustment</b>                    | <b>-</b>   | <b>-</b>                         | <b>245,295</b>                               | <b>-</b>                               | <b>245,295</b>       |
| <b>Net Position, Beginning of Year (Restated)</b> | <b>16,870,269</b>                                  | <b>(163,259)</b>                 | <b>3,606,487</b>                             | <b>(92,747)</b>                        | <b>20,220,750</b>    |
| <b>Total Net Position, End of Year</b>            | <b>\$ 17,052,801</b>                               | <b>\$ (345,760)</b>              | <b>\$ 4,582,275</b>                          | <b>\$ 26,052</b>                       | <b>\$ 21,315,368</b> |

See accompanying notes.

**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2023**  
**CITY OF NEPTUNE BEACH, FLORIDA**

|  | <b>Business-Type Activities - Enterprise Funds</b> |                                  |  |  | <b>Total</b>        |
|--|--|----------------------------------|--|--|---------------------|
|  | <b>Major Fund<br/>Water and<br/>Sewer</b>          | <b>Major Fund<br/>Sanitation</b> | <b>Major Fund<br/>Stormwater<br/>Utility</b> | <b>Major Fund<br/>Paid<br/>Parking</b> |                     |
| <b>Cash Flows from Operating Activities</b>  |  |                                  |  |  |                     |
| Cash Received from Customers   | \$ 4,711,099                                       | \$ 1,376,106                     | \$ 1,499,888                                 | \$ 848,319                             | \$ 8,435,412        |
| Cash Paid to Suppliers   | (1,230,306)  | (1,406,789)                      | (210,774)                                    | (391,886)                              | (3,239,755)         |
| Cash Paid to Employees   | (1,612,568)  | (143,314)                        | (379,213)                                    | (183,938)                              | (2,319,033)         |
| <b>Net Cash Provided by (Used in) Operating Activities</b>   | <b>1,868,225</b>                                   | <b>(173,997)</b>                 | <b>909,901</b>                               | <b>272,495</b>                         | <b>2,876,624</b>    |
| <b>Cash Flows from Non-Capital Financing Activities</b>  |  |                                  |  |  |                     |
| Advances and Repayment from (to) Other Funds   | -  | 173,997                          | -  | -                                      | 173,997             |
| Transfers from/(to) Other Funds  | (562,130)  | -                                | 442,130                                      | (105,000)                              | (225,000)           |
| <b>Net Cash Provided by (Used in) Non-Capital Financing Activities</b>                                   | <b>(562,130)</b>                                   | <b>173,997</b>                   | <b>442,130</b>                               | <b>(105,000)</b>                       | <b>(51,003)</b>     |
| <b>Cash Flows from Capital and Related Financing Activities</b>  |  |                                  |  |  |                     |
| Payments on Leases   | (25,556)   | -                                | (12,778)                                     | -                                      | (38,334)            |
| Payments on Loans and Bonds  | (333,162)  | -                                | -  | -                                      | (333,162)           |
| Interest Paid on Revenue Bonds   | (66,717)   | -                                | (570)  | -                                      | (67,287)            |
| Acquisition and Construction of Capital Assets   | (903,663)  | -                                | (372,578)                                    | -                                      | (1,276,241)         |
| <b>Net Cash Provided by (Used in) Capital and Related Financing Activities</b>                           | <b>(1,329,098)</b>                                 | <b>-</b>                         | <b>(385,926)</b>                             | <b>-</b>                               | <b>(1,715,024)</b>  |
| <b>Net Increase (Decrease) in Cash and Cash Equivalents</b>  | <b>(23,003)</b>                                    | <b>-</b>                         | <b>966,105</b>                               | <b>167,495</b>                         | <b>1,110,597</b>    |
| <b>Cash and Cash Equivalents, Beginning of Year</b>  | <b>4,784,708</b>                                   | <b>-</b>                         | <b>1,849,164</b>                             | <b>-</b>                               | <b>6,633,872</b>    |
| <b>Cash and Cash Equivalents, End of Year</b>  | <b>\$ 4,761,705</b>                                | <b>\$ -</b>                      | <b>\$ 2,815,269</b>                          | <b>\$ 167,495</b>                      | <b>\$ 7,744,469</b> |
| <b>Reconciliation of Cash and Cash Equivalents to Statement of Net Position</b>                          |  |                                  |  |  |                     |
| Equity in Pooled Cash and Investments  | \$ 3,865,825                                       | \$ -                             | \$ 2,815,269                                 | \$ 167,495                             | \$ 6,848,589        |
| Restricted Equity in Pooled Cash and Investments   | 895,880  | -                                | -  | -                                      | 895,880             |
| <b>Total Cash and Cash Equivalents</b>   | <b>\$ 4,761,705</b>                                | <b>\$ -</b>                      | <b>\$ 2,815,269</b>                          | <b>\$ 167,495</b>                      | <b>\$ 7,744,469</b> |
| <b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities</b>  |  |                                  |  |  |                     |
| Operating Income (Loss)  | \$ 806,773   | \$ (182,501)                     | \$ 534,228                                   | \$ 223,799                             | \$ 1,382,299        |
| Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities: |  |                                  |  |  |                     |
| Depreciation and Amortization  | 845,801  | -                                | 82,471                                       | 13,008                                 | 941,280             |
| Changes in Assets - Decrease (Increase) and Liabilities - Increase (Decrease):                           |  |                                  |  |  |                     |
| Accounts Receivable  | (4,163)  | (3,438)                          | 41,750                                       | 9,959                                  | 44,108              |
| Due from Other Governments   | -  | -                                | 245,295                                      | -                                      | 245,295             |
| Prepaid Expenses   | 7,055  | -                                | -  | -                                      | 7,055               |
| Accounts Payable   | 132,982  | 12,706                           | (5,866)                                      | 36,886                                 | 176,708             |
| Compensated Absences   | 30,026   | -                                | 5,781  | (2,687)                                | 33,120              |
| Customer Deposits  | 30,751   | -                                | -  | -                                      | 30,751              |
| Other Postemployment Benefits  | 19,000   | (764)                            | 6,242  | (8,470)                                | 16,008              |
| Total Adjustments  | 1,061,452  | 8,504                            | 375,673                                      | 48,696                                 | 1,494,325           |
| <b>Net Cash Provided by (Used in) Operating Activities</b>   | <b>\$ 1,868,225</b>                                | <b>\$ (173,997)</b>              | <b>\$ 909,901</b>                            | <b>\$ 272,495</b>                      | <b>\$ 2,876,624</b> |

See accompanying notes.

**STATEMENT OF NET POSITION  
FIDUCIARY FUND  
SEPTEMBER 30, 2023  
CITY OF NEPTUNE BEACH, FLORIDA**

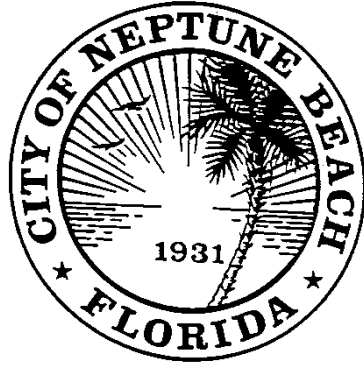
|                                    | <b>Police<br/>Officers'<br/>Plan</b> |
|------------------------------------|--------------------------------------|
|                                    |                                      |
| <b>Assets</b>                      |                                      |
| Cash and Short-Term Investments    | \$ 187,926                           |
| Contributions Receivable           | 91,057                               |
| Accrued Interest Receivable        | 23,262                               |
| Investments:                       |                                      |
| U.S. Government Obligations        | 991,012                              |
| Corporate Bonds                    | 1,347,796                            |
| Electronically Traded Funds        | 1,019,868                            |
| Foreign Bonds                      | 149,579                              |
| Mortgage-Backed Securities         | 104,576                              |
| Mutual Funds - Equity              | 4,287,760                            |
| Common Equity Securities           | 2,732,613                            |
| Total Investments                  | 10,633,204                           |
| Prepaid Expenses                   | 2,806                                |
| <b>Total Assets</b>                | 10,938,255                           |
| <br><b>Liabilities</b>             |                                      |
| Accounts Payable                   | 22,775                               |
| <b>Total Liabilities</b>           | 22,775                               |
| <br><b>Net Position</b>            |                                      |
| Held in Trust for Pension Benefits | \$ 10,915,480                        |

See accompanying notes.

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2023  
CITY OF NEPTUNE BEACH, FLORIDA**

|   | <u>Police<br/>Officers'<br/>Plan</u> |
|---|--------------------------------------|
| <b>Additions</b>                              |                                      |
| Contributions:                                |                                      |
| Employees                                     | \$ 165,104                           |
| Employer                                      | 351,314                              |
| State of Florida                              | 70,421                               |
| Total Contributions                           | <u>586,839</u>                       |
| Investment Income:                            |                                      |
| Net Appreciation in Fair Value of Investments | 971,972                              |
| Interest and Dividends                        | 283,564                              |
| Total Investment Earnings                     | <u>1,255,536</u>                     |
| (Less Investment Expense)                     | <u>(58,605)</u>                      |
| Net Investment Earnings                       | <u>1,196,931</u>                     |
| <b>Total Additions</b>                        | <u>1,783,770</u>                     |
| <br><b>Deductions</b>                         |                                      |
| Regular Benefit Payments                      | 724,605                              |
| Administrative Expenses                       | 55,972                               |
| <b>(Total Deductions)</b>                     | <u>(780,577)</u>                     |
| <br><b>Change in Net Position</b>             | <br>1,003,193                        |
| <br><b>Net Position, Beginning of Year</b>    | <br><u>9,912,287</u>                 |
| <br><b>Net Position, End of Year</b>          | <br><u>\$ 10,915,480</u>             |

See accompanying notes.



# Notes to Financial Statements

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Annual Financial Report

**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2023**  
**CITY OF NEPTUNE BEACH, FLORIDA**

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

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

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

**Reporting Entity**

The accompanying financial statements present the financial position, results of operations, and cash flows of the applicable fund types governed by the City Council of the City (City Council), the reporting entity of government for which the City Council is considered to be financially accountable. The City has also considered all other potential organizations for which the nature and significance of their relationships with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. These criteria include appointing a majority of an organization's governing body and: (1) the ability of the City to impose its will on that organization; or (2) the potential for that organization to provide specific benefits to or impose specific financial burdens on the City. Other considerations are whether the organization is legally separate, whether the City holds the corporate powers of the organization, and whether there is fiscal dependency by the organization on the City. Based upon the application of these criteria, the City has no component units.

**Basic Financial Statements**

The government-wide and fund financial statements along with the notes to the financial statements comprise the basic financial statements.

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the City. For the most part, the effect of interfund activity has been removed from these statements. Exceptions to this general rule are charges between the City's water and sewer function and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of net position presents information on all of the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

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

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

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures as well as expenditures related to compensated absences, other postemployment benefits (OPEB), pension benefits, and claims and judgments are recorded only when payment is due.

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

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

■ **Major Governmental Fund Types**

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

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■ **Non-Major Governmental Fund Types**

- **Special Revenue Funds**—These funds account for specific revenue sources that are restricted by law or administrative action to expenditures for specific purposes. Non-major special revenue funds include the Police Education Fund, Community Development Block Grant Fund, Convention Development Tax Fund, Forfeiture Proceeds Fund, Street Improvement Fund, Local Option Gas Tax Fund, Radio Communications Fund, Better Jacksonville Half-Cent Tax Fund, Holiday Décor Fund, and King Neptune Trust Fund.
- **Capital Projects Funds**—These funds account for financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by proprietary funds and trust funds. The City has two non-major Capital Projects Fund.

■ **Proprietary Fund Types**

- **Proprietary Funds**—These funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. The accounting objectives are determination of operation income and changes in net position, financial position, and cash flow. All assets and liabilities are included on the statement of net position. The City’s proprietary funds are all classified as enterprise funds. The City has presented the following proprietary funds:
  - ▶ **Major Proprietary Funds**—The Water and Sewer Fund accounts for the activities of the City’s water distribution system, sewage treatment plant, sewage pumping stations, and collection systems. The Sanitation Fund accounts for the activities of the City’s sanitation and recycling services. The Stormwater Utility Fund accounts for the operation and maintenance of the stormwater system. The Paid Parking Fund is used to account for the operation of the pay-for-parking program in the Beaches Town Center area.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations.

■ **Fiduciary Fund Types**

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

■ **Fund Balance Classifications**

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

- **Non-Spendable Fund Balance**—Amounts that are not in spendable form (such as inventory) or are required to be maintained intact.
- **Restricted Fund Balance**—Amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government) through constitutional provisions, or by enabling legislation.

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- **Committed Fund Balance**—Amounts constrained to specific purposes by the City itself, using its highest level of decision-making authority (i.e., City Council). To be reported as committed, amounts cannot be used for any purpose unless the City takes the same highest level action to remove or change the constraint.
- **Assigned Fund Balance**—Amounts the City intends to use for a specific purpose. Intent can be expressed by the City Council or by an official or body to which the City Council delegates authority.
- **Unassigned Fund Balance**—Amounts that are available for any purpose. Positive amounts are reported only in the General Fund.

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

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

**Budgets and Budgetary Accounting**

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

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

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

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

**Cash and Cash Equivalents**

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

**Investments**

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

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

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

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

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

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

- a. Equities traded on the national exchange or electric network. Not more than 5% of Plan’s assets, at the time of purchase, shall be invested in common stock, capital stock, or convertible stock of anyone issuing company, nor shall the aggregate investment in any one issuing company exceed 5% of the outstanding capital stock of the company.

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- b. Fixed income investments that have a minimum rating of “A” or higher as reported by a major credit rating service; except no more than 10% of the total portfolio may be invested in securities that fall below these rating guidelines but must be rated “investment grade” or higher as reported by a major credit rating service. The value of bonds issued by a single corporation shall not exceed 10% of the total fund.
- c. Money market funds or short-term investment fund options provided by the Plan’s custodian and have a minimum rating of Standards & Poor’s “A1” or Moody’s “P1”.

**Receivable and Interfund Obligations**

Receivables consist of trade receivables, amounts due from other governments, and interest receivable and are recorded net of allowance for doubtful accounts. The City, as of September 30, 2023, has provided an allowance for doubtful accounts due to aged receivables in the proprietary funds that the City has reason to believe will not be collected.

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

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

**Restricted Assets**

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

**Capital Assets**

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

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

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

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

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

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

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

**Unearned Revenue**

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

**Deferred Outflows and Inflows of Resources**

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

**Long-Term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or business-type activities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the bond premium or discount. Bond issuance costs are expensed when incurred, with the exception of bond insurance, which is amortized over the term of the related debt.

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

**Compensated Absences**

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

**Pension Plans**

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

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

**Net Position**

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

**Property Taxes**

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

Details of the tax calendar are presented below:

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

**Use of Estimates**

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

**Leases**

When the City is a lessee, the City recognizes a lease liability and an intangible right-to-use lease asset in the government-wide financial statements. At the commencement of a lease, the City initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of the lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

When the City is a lessor, the City recognizes a lease receivable and a deferred inflow of resources in the government-wide, governmental fund, and enterprise fund financial statements. At the commencements of a lease, the City initially measures the lease receivable at the present value of payments expected to

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be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of the lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease.

The City monitors changes in circumstances that would require a remeasurement of its leases and will remeasure the lease asset, receivable, liability, and/or deferred inflows of resources if certain changes occur that are expected to significantly affect the lease amounts.

**Implementation of New Governmental Accounting Standards Board (GASB) Pronouncements**

During the fiscal year ended September 30, 2023, the City implemented the provisions of GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* (SBITAs). The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for SBITAs by governments. It establishes that a SBITA results in a “right-to-use” asset with a corresponding liability, and provides the criteria for outlays and subscription payments, as well as required specific note disclosures.

The City recognizes a SBITA liability and an intangible right-to-use subscription asset in the government-wide financial statements. At the commencement of the arrangement, the City initially measures the SBITA liability at the present value of payments expected to be made during the subscription term. Subsequently, the SBITA liability is reduced by the principal portion of the subscription payments made. The subscription asset is initially measured as the initial amount of the SBITA liability, adjusted for subscription payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the subscription asset is amortized on a straight-line basis over its useful life. See Note 6 for more information on the effect of the implementation of this statement.

**Note 2 - Cash Deposits and Investments**

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

At September 30, 2023, the cash deposits and investments included the following:

|                                      |                      |
|--------------------------------------|----------------------|
| Investments Controlled by City:      |                      |
| SBA Investment Pool                  | \$ 21,316            |
| Certificate of Deposit               | 121,241              |
| Total Investments Controlled by City | 142,557              |
| Cash:                                |                      |
| Cash Deposits                        | 14,544,782           |
| Restricted Cash                      | 895,880              |
| Cash on Hand                         | 2,600                |
| Total Cash                           | 15,443,262           |
| <b>Total Cash and Investments</b>    | <b>\$ 15,585,819</b> |

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

**Restricted Cash**

Restricted cash in the proprietary funds at September 30, 2023, represent monies required to be restricted for debt service and construction under terms of outstanding bond agreements, and impact fees restricted to water and sewer system uses. Restricted cash for the proprietary funds at September 30, 2023, were restricted for the following purposes:

| <b>Proprietary Funds</b>          |                   |
|-----------------------------------|-------------------|
| Debt Service                      | \$ 510,492        |
| Customer Deposits                 | 220,319           |
| Impact Fees                       | 165,069           |
| <b>Total Cash and Investments</b> | <b>\$ 895,880</b> |

**Risk**

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

**Credit Risk**

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

|   | QUALITY RATINGS |              |      |      |           |           |            |            |            |              |
|---|-----------------|--------------|------|------|-----------|-----------|------------|------------|------------|--------------|
|   | AAA             | AA+          | AA   | AA-  | A+        | A         | A-         | BBB+       | BBB        | Unrated      |
| Investments Controlled by the City:             |                 |              |      |      |           |           |            |            |            |              |
| Certificates of Deposit                         | \$ -            | \$ -         | \$ - | \$ - | \$ -      | \$ -      | \$ -       | \$ -       | \$ -       | \$ 121,241   |
| SBA Investment Pool                             | -               | -            | -    | -    | -         | -         | -          | -          | -          | 21,316       |
| <b>Total Investments Controlled by the City</b> | -               | -            | -    | -    | -         | -         | -          | -          | -          | 142,557      |
| Pension Plan Investments:                       |                 |              |      |      |           |           |            |            |            |              |
| U.S. Government and Federal Agency Securities   | -               | 991,012      | -    | -    | -         | -         | -          | -          | -          | -            |
| Corporate Bonds                                 | -               | 121,905      | -    | -    | 64,265    | 70,484    | 539,534    | 349,527    | 141,990    | 60,091       |
| ETF - Fixed Income                              | -               | -            | -    | -    | -         | -         | -          | -          | -          | 1,019,868    |
| Foreign Bonds                                   | -               | -            | -    | -    | -         | 74,017    | 75,562     | -          | -          | -            |
| Mortgage-Backed Securities                      | -               | -            | -    | -    | -         | -         | -          | -          | -          | 104,576      |
| Mutual Funds - Equity                           | -               | -            | -    | -    | -         | -         | -          | -          | -          | 4,287,760    |
| Common Equity Securities                        | -               | -            | -    | -    | -         | -         | -          | -          | -          | 2,732,613    |
| <b>Total Pension Plan Investments</b>           | \$ -            | \$ 1,112,917 | \$ - | \$ - | \$ 64,265 | \$ 70,484 | \$ 613,551 | \$ 425,089 | \$ 141,990 | \$ 8,204,908 |

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**Custodial Credit Risk**

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

At September 30, 2023, Police Officers' Plan Fund investments were uninsured, and collateral was held by the pledging bank's trust department and was not in the City's name.

**Concentration of Credit Risk**

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

The City's Police Officers' Plan Fund had no single investments of more than 5% of the total net assets of the plan at September 30, 2023.

**Foreign Currency Risk**

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

**Interest Rate Risk**

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

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

| Investment Type                                 | Investment Maturities (in Years) |                     |                     |                   |              |
|---|----------------------------------|---------------------|---------------------|-------------------|--------------|
|   | Fair Value                       | Less Than 1         | 1-5                 | 6-10              | More Than 10 |
| Investments Controlled by the City:             |                                  |                     |                     |                   |              |
| Certificates of Deposit                         | \$ 121,241                       | \$ 121,241          | \$ -                | \$ -              | \$ -         |
| SBA Investment Pool                             | 21,316                           | 21,316              | -                   | -                 | -            |
| <b>Total Investments Controlled by the City</b> | <b>\$ 142,557</b>                | <b>\$ 142,557</b>   | <b>\$ -</b>         | <b>\$ -</b>       | <b>\$ -</b>  |
| Pension Plan Investments:                       |                                  |                     |                     |                   |              |
| U.S. Government and Agency Securities           | \$ 991,012                       | \$ -                | \$ 623,406          | \$ 367,606        | \$ -         |
| Corporate Bonds                                 | 1,347,796                        | 270,350             | 809,838             | 267,608           | -            |
| ETF - Fixed Income                              | 1,019,868                        | 1,019,868           | -                   | -                 | -            |
| Foreign Bonds                                   | 149,579                          | -                   | 75,562              | 74,017            | -            |
| Mortgage-Backed Securities                      | 104,576                          | 104,576             | -                   | -                 | -            |
| Mutual Funds - Equity                           | 4,287,760                        | 4,287,760           | -                   | -                 | -            |
| Common Equity Securities                        | 2,732,613                        | 2,732,613           | -                   | -                 | -            |
| <b>Total Investments Measured at Fair Value</b> | <b>\$ 10,633,204</b>             | <b>\$ 8,415,167</b> | <b>\$ 1,508,806</b> | <b>\$ 709,231</b> | <b>\$ -</b>  |

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**Fair Value Measurements**

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

- **Level 1 Inputs**—are quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date.
- **Level 2 Inputs**—are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly or indirectly.
- **Level 3 Inputs**—are unobservable inputs for an asset or liability. The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. If a price for an identical asset or liability is not observable, a government should measure fair value using another valuation technique that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs.

The Plan’s investments are measured at fair value on a recurring basis. Fair value measurements are categorized based on the valuation inputs used to measure an asset’s fair value in the hierarchy described above. The fair value measurements for the Plan’s operating investments are as follows at September 30, 2023:

| Investments at Fair Value Level                           | Amount               | Fair Value Measurements Using                                  |   |   |
|---|----------------------|--|---|---|
|   |                      | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Fiduciary Funds:  |                      |  |   |   |
| U.S. Government Obligations and Federal Agency Securities | \$ 991,012           | \$ -   | \$ 991,012                                    | \$ -                                      |
| Corporate Bonds   | 1,347,796            | -  | 1,347,796                                     | -   |
| Foreign Bonds   | 149,579              | -  | 149,579                                       | -   |
| Mortgage-Backed Securities                                | 104,576              | -  | 104,576                                       | -   |
| Common Stock  | 2,732,613            | 2,732,613  | -   | -   |
| ETF - Fixed Income  | 1,019,868            | 1,019,868  | -   | -   |
| Mutual Funds - Equity                                     | 4,287,760            | 4,287,760  | -   | -   |
| <b>Total Investments Measured at Fair Value</b>           | <b>\$ 10,633,204</b> | <b>\$ 8,040,241</b>  | <b>\$ 2,592,963</b>                           | <b>\$ -</b>                               |

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

**Note 3 - Receivables**

Receivables at September 30, 2023, consist of the following:

|                        | General Fund      | Water and Sewer Fund | Sanitation Fund   | Storm-Water Utility Fund | Parking Fund     | Police Officers' Plan Fund | Non-Major/Other Funds | Total Funds         |
|------------------------|-------------------|----------------------|-------------------|--------------------------|------------------|----------------------------|-----------------------|---------------------|
| <b>Receivables</b>     |                   |                      |                   |                          |                  |                            |                       |                     |
| Interest               | \$ -              | \$ -                 | \$ -              | \$ -                     | \$ -             | \$ 23,262                  | \$ -                  | \$ 23,262           |
| Accounts Receivable    | -                 | 644,243              | 151,367           | 68,310                   | 10,367           | 91,057                     | -                     | 965,344             |
| Intergovernmental      | 765,304           | -                    | -                 | -                        | -                | -                          | 115,332               | 880,636             |
| Gross Receivables      | 765,304           | 644,243              | 151,367           | 68,310                   | 10,367           | 114,319                    | 115,332               | 1,869,242           |
| Allowance              | -                 | (96,636)             | (22,705)          | (6,831)                  | -                | -                          | -                     | (126,172)           |
| <b>Net Receivables</b> | <b>\$ 765,304</b> | <b>\$ 547,607</b>    | <b>\$ 128,662</b> | <b>\$ 61,479</b>         | <b>\$ 10,367</b> | <b>\$ 114,319</b>          | <b>\$ 115,332</b>     | <b>\$ 1,743,070</b> |

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Included in accounts receivable are \$379,728 earned but not billed as of September 30, 2023.

**Note 4 - Interfund Transactions**

Interfund receivables/payables represent temporary loans to cover other funds' deficits in pooled cash and investments. At September 30, 2023, the City had the following due to/from other funds:

|                              | <b>Due from<br/>Other Funds</b> | <b>Due to<br/>Other Funds</b> |
|------------------------------|---------------------------------|-------------------------------|
| <b>Receivables</b>           |                                 |                               |
| General Fund                 | \$ 644,211                      | \$ -                          |
| Non-Major Governmental Funds | 162,000                         | 304,897                       |
| Sanitation Fund              | -                               | 333,461                       |
| Paid Parking Fund            | -                               | 167,853                       |
| <b>Net Receivables</b>       | <b>\$ 806,211</b>               | <b>\$ 806,211</b>             |

Transfers from a fund of resources to the fund through which resources are to be expended are recorded as transfers and are reported as other financing sources (uses) in the governmental funds and as transfers in (out) in the proprietary funds.

Following is a summary of interfund transfers for the year ended September 30, 2023:

|                           | <b>Transfers Out</b>    |                             |                              |                            |                        |
|---------------------------|-------------------------|-----------------------------|------------------------------|----------------------------|------------------------|
|                           | <b>General<br/>Fund</b> | <b>Water/Sewer<br/>Fund</b> | <b>Paid Parking<br/>Fund</b> | <b>Non-Major<br/>Funds</b> | <b>Total<br/>Funds</b> |
| <b>Transfers In</b>       |                         |                             |                              |                            |                        |
| General Fund              | \$ -                    | \$ 120,000                  | \$ 105,000                   | \$ 350,000                 | \$ 575,000             |
| Stormwater                | -                       | 442,130                     | -                            | -                          | 442,130                |
| <b>Total Transfers In</b> | <b>\$ -</b>             | <b>\$ 562,130</b>           | <b>\$ 105,000</b>            | <b>\$ 350,000</b>          | <b>\$ 1,017,130</b>    |

Transfers in (out) during the fiscal year 2023, are as follows:

- \$105,000 was transferred from the Paid Parking Fund to the General Fund to support the governmental activities.
- \$120,000 was transferred from the Water and Sewer Fund to the General Fund to support the governmental activities.
- \$442,130 was transferred from the Water and Sewer Fund to the Sanitation Fund to provide additional funding for expenses in excess of revenues.
- \$350,000 was transferred from the Better Jacksonville Half-Cent Fund to the General Fund to support capital projects.

**Note 5 - Leases**

The City has two reportable lease receivables related to antenna lease agreements executed between 2005 and 2007. The lease terms each include an initial 5-year period, with several 5-year renewal periods ending between 2027 and 2030. Monthly payments range between \$2,807 and \$3,453 over the terms of the leases, with one of the leases also including a future 36-month period of no payments to make up for

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prior overpayments. The discount rate is 3.25% for both leases. The City recognized \$61,683 in lease revenue and \$9,635 of interest revenue during the fiscal year related to these leases. On September 30, 2023, the City's receivable for lease payments was \$292,788, which was reported in the City's general fund. The City also has a deferred inflow of resources associated with these leases that will be recognized as revenue over the lease term. As of September 30, 2023, the balance of the deferred inflow of resources was \$282,422.

**Note 6 – Subscription-Based Information Technology Arrangements**

In 2023, the City implemented GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, and as a result identified one reportable SBITA related to ERP solutions executed in 2020. The initial term is 5 years, with monthly payments of \$4,141 and a discount rate of 3.25%. After the initial term, the arrangement will continue to automatically renew for 1-year periods until either party terminates the arrangement.

The following table summarizes the principal and interest requirements for the remaining term of the arrangement:

| <b>Governmental Activities</b>              |                               |                              |                           |
|---|-------------------------------|------------------------------|---------------------------|
| <b>Fiscal Year Ending<br/>September 30,</b> | <b>Principal<br/>Payments</b> | <b>Interest<br/>Payments</b> | <b>Total<br/>Payments</b> |
| 2024  | \$ 47,528                     | \$ 2,167                     | \$ 49,695                 |
| 2025  | 40,802                        | 610                          | 41,412                    |
| <b>Total Governmental</b>                   | <b>\$ 88,330</b>              | <b>\$ 2,777</b>              | <b>\$ 91,107</b>          |

**Note 7 - Capital Assets**

Capital asset activity for the fiscal year ended September 30, 2023, is as follows:

|   | <b>Balance<br/>October 1,<br/>2022</b> | <b>Increases</b>    | <b>Decreases</b>      | <b>Balance<br/>September 30,<br/>2023</b> |
|---|--|---------------------|-----------------------|---|
| <b>Governmental Activities</b>                            |  |                     |                       |   |
| Capital Assets, Not Being Depreciated:                    |  |                     |                       |   |
| Land  | \$ 37,861                              | \$ -                | \$ -                  | \$ 37,861                                 |
| Construction in Process                                   | 1,895,918                              | 19,786              | (1,869,710)           | 45,994                                    |
| <b>Total Capital Assets, Not Being Depreciated</b>        | <b>1,933,779</b>                       | <b>19,786</b>       | <b>(1,869,710)</b>    | <b>83,855</b>                             |
| Capital Assets Being Depreciated:                         |  |                     |                       |   |
| Buildings and Improvements                                | 5,042,275                              | 882,345             | -                     | 5,924,620                                 |
| Improvements Other Than Buildings                         | 3,380,475                              | 1,487,480           | -                     | 4,867,955                                 |
| Equipment   | 3,886,209                              | 298,281             | -                     | 4,184,490                                 |
| SBITAs  | -                                      | 134,704             | -                     | 134,704                                   |
| <b>Total Capital Assets Being Depreciated</b>             | <b>12,308,959</b>                      | <b>2,802,810</b>    | <b>-</b>              | <b>15,111,769</b>                         |
| Less Accumulated Depreciation for:                        |  |                     |                       |   |
| Buildings and Improvements                                | (2,393,541)                            | (180,097)           | -                     | (2,573,638)                               |
| Improvements Other Than Buildings                         | (2,252,491)                            | (186,767)           | -                     | (2,439,258)                               |
| Equipment   | (3,185,340)                            | (244,438)           | -                     | (3,429,778)                               |
| SBITAs  | -                                      | (47,543)            | -                     | (47,543)                                  |
| <b>Total Accumulated Depreciation</b>                     | <b>(7,831,372)</b>                     | <b>(658,845)</b>    | <b>-</b>              | <b>(8,490,217)</b>                        |
| <b>Total Capital Assets Being Depreciated</b>             | <b>4,477,587</b>                       | <b>2,143,965</b>    | <b>-</b>              | <b>6,621,552</b>                          |
| <b>Total Governmental Activities, Capital Assets, Net</b> | <b>\$ 6,411,366</b>                    | <b>\$ 2,163,751</b> | <b>\$ (1,869,710)</b> | <b>\$ 6,705,407</b>                       |

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|  | Balance<br>October 1,<br>2022 | Increases           | Decreases             | Balance<br>September 30,<br>2023 |
|--|-------------------------------|---------------------|-----------------------|----------------------------------|
| <b>Business-Type Activities</b>                      |                               |                     |                       |                                  |
| Capital Assets, Not Being Depreciated:               |                               |                     |                       |                                  |
| Construction in Process                              | \$ 1,254,884                  | \$ -                | \$ (1,205,477)        | \$ 49,407                        |
| Total Capital Assets, Not Being Depreciated          | 1,254,884                     | -                   | (1,205,477)           | 49,407                           |
| Capital Assets Being Depreciated:                    |                               |                     |                       |                                  |
| Buildings and Improvements                           | 3,421,788                     | 34,435              | -                     | 3,456,223                        |
| Improvements Other Than Buildings                    | 24,859,216                    | 1,899,445           | -                     | 26,758,661                       |
| Equipment  | 5,739,006                     | 547,837             | -                     | 6,286,843                        |
| Total Capital Assets Being Depreciated               | 34,020,010                    | 2,481,717           | -                     | 36,501,727                       |
| Less Accumulated Depreciation for:                   |                               |                     |                       |                                  |
| Buildings and Improvements                           | (3,305,838)                   | (9,512)             | -                     | (3,315,350)                      |
| Improvements Other Than Buildings                    | (11,044,671)                  | (658,230)           | -                     | (11,702,901)                     |
| Equipment  | (4,763,747)                   | (273,537)           | -                     | (5,037,284)                      |
| Total Accumulated Depreciation                       | (19,114,256)                  | (941,279)           | -                     | (20,055,535)                     |
| Total Capital Assets Being Depreciated               | 14,905,754                    | 1,540,438           | -                     | 16,446,192                       |
| <b>Business-Type Activities, Capital Assets, Net</b> | <b>\$ 16,160,638</b>          | <b>\$ 1,540,438</b> | <b>\$ (1,205,477)</b> | <b>\$ 16,495,599</b>             |

Depreciation expense was charged to functions/programs as follows:

|  |  |                   |
|--|--|-------------------|
| <b>Governmental Activities</b>                               |  |                   |
| General Government   |  | \$ 87,229         |
| Public Safety  |  | 236,322           |
| Transportation   |  | 133,151           |
| Culture and Recreation                                       |  | 202,143           |
| <b>Total Depreciation Expense - Governmental Activities</b>  |  | <b>\$ 658,845</b> |
| <b>Business-Type Activities</b>                              |  |                   |
| Water and Sewer  |  | \$ 845,800        |
| Stormwater Utility   |  | 82,471            |
| Paid Parking Fund  |  | 13,008            |
| <b>Total Depreciation Expense - Business-Type Activities</b> |  | <b>\$ 941,279</b> |

**Note 8 - Long-Term Liabilities**

At September 30, 2023, bonds and loans payable consisted of the following:

|  | <u>Governmental</u> | <u>Business-Type</u> |
|--|---------------------|----------------------|
| <b>Loans</b>   |                     |                      |
| Water and Sewer Revenue Note, Series 2013A Dated<br>September 10, 2013, for \$3,280,000, Due in Semi-Annual<br>Installments of Principal Ranging from \$5,000 to \$325,000,<br>Bearing an Interest Rate of 3.35%, Final Payment Due<br>October 1, 2028 | \$ -                | \$ 1,820,000         |
| <b>Total</b>   | <b>\$ -</b>         | <b>\$ 1,820,000</b>  |

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Transactions for the year ended September 30, 2023, are summarized as follows:

|  | Balance<br>October 1,<br>2022 | Additions           | Reductions          | Balance<br>September 30,<br>2023 | Due Within<br>One Year |
|--|-------------------------------|---------------------|---------------------|----------------------------------|------------------------|
| <b>Governmental Activities</b>                                   |                               |                     |                     |                                  |                        |
| Net Pension (Asset) Liability                                    | \$ (322,240)                  | \$ 2,912,700        | \$ -                | \$ 2,590,460                     | \$ -                   |
| OPEB Obligations   | 768,853                       | -                   | (209,498)           | 559,355                          | -                      |
| SBITA Liability  | -                             | 134,704             | (46,374)            | 88,330                           | 47,528                 |
| Compensated Absences   | 370,051                       | 369,104             | (301,213)           | 437,942                          | 331,090                |
| <b>Total Governmental Activities -<br/>Long-Term Liabilities</b> | <b>\$ 816,664</b>             | <b>\$ 3,416,508</b> | <b>\$ (557,085)</b> | <b>\$ 3,676,087</b>              | <b>\$ 378,618</b>      |
|  | Balance<br>October 1,<br>2022 | Additions           | Reductions          | Balance<br>September 30,<br>2023 | Due Within<br>One Year |
| <b>Business-Type Activities</b>                                  |                               |                     |                     |                                  |                        |
| Loans Payable:   |                               |                     |                     |                                  |                        |
| Drinking Water Loan #2   | \$ 58,162                     | \$ -                | \$ (58,162)         | \$ -                             | \$ -                   |
| Water and Sewer Revenue Note<br>Series 2013A                     | 2,095,000                     | -                   | (275,000)           | 1,820,000                        | 280,000                |
| Total Loans Payable  | 2,153,162                     | -                   | (333,162)           | 1,820,000                        | 280,000                |
| Lease Payable  | 38,334                        | -                   | (38,334)            | -                                | -                      |
| OPEB Obligations   | 287,178                       | -                   | (54,225)            | 232,953                          | -                      |
| Compensated Absences   | 113,997                       | 123,992             | (90,872)            | 147,117                          | 86,460                 |
| <b>Business-Type Activities - Long-Term Liabilities</b>          | <b>\$ 2,592,671</b>           | <b>\$ 123,992</b>   | <b>\$ (516,593)</b> | <b>\$ 2,200,070</b>              | <b>\$ 366,460</b>      |

The annual requirements to amortize the bonds and loans payable outstanding as of September 30, 2023, are summarized as follows:

| Fiscal Year Ending<br>September 30, | Water and Sewer<br>Revenue Note, 2013A |                   | Business-Type Activities Totals |                   |
|-------------------------------------|--|-------------------|---------------------------------|-------------------|
|                                     | Principal                              | Interest          | Principal                       | Interest          |
| 2024                                | \$ 280,000                             | \$ 51,590         | \$ 280,000                      | \$ 51,590         |
| 2025                                | 290,000                                | 41,875            | 290,000                         | 41,875            |
| 2026                                | 300,000                                | 31,825            | 300,000                         | 31,825            |
| 2027                                | 310,000                                | 21,440            | 310,000                         | 21,440            |
| 2028                                | 315,000                                | 10,887            | 315,000                         | 10,887            |
| 2029                                | 325,000                                | -                 | 325,000                         | -                 |
| <b>Total</b>                        | <b>\$ 1,820,000</b>                    | <b>\$ 157,617</b> | <b>\$ 1,820,000</b>             | <b>\$ 157,617</b> |

On May 7, 2001, the City was approved for a Drinking Water State Revolving Fund Construction Loan #2 for water construction project #2. The full amount of the loan was \$1,740,925 and was used for water system project construction. Revenues of the Water and Sewer Fund will repay this obligation. Annual principal and interest on the loan is expected to require 2% of such revenues and is payable through 2023. At year-end, pledged future revenues totaled \$0, which was the amount of remaining principal and interest on the loan.

On September 10, 2013, the City approved the Water and Sewer Revenue Note 2013A for \$3,280,000. The proceeds of the loans will be used for improvements to the water and sewer system and refunding the 2001 Water and Sewer Bond and paying related costs. Annual principal and interest on the notes are expected to require 7% of such revenues and are payable through 2028. At year-end, pledged future revenues totaled \$1,977,617, which was the amount of remaining principal and interest on the notes.

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**Capital Lease**

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

The asset acquired through the capital leases is as follows:

| <b>Asset</b>               |                   |
|----------------------------|-------------------|
| Excavator                  | \$ 338,805        |
| (Accumulated Depreciation) | (169,403)         |
| <b>Total</b>               | <b>\$ 169,402</b> |

The lease was fully paid off during the year ended September 30, 2023, so there are no future lease obligations for this asset.

**Note 9 - Employee Benefits**

***Police Officers' Retirement System***

**Plan Description**

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

|   | <b>October 1,<br/>2023</b> |
|---|----------------------------|
| <b>Retirees and Beneficiaries</b>       |                            |
| Inactive Plan Members or Beneficiaries  |                            |
| Currently Receiving Benefits            | 18                         |
| Inactive Plan Members Entitled to But   |                            |
| Not Yet Receiving Benefits              | 7                          |
| Active Plan Members                     | 20                         |
| <b>Total Retirees and Beneficiaries</b> | <b>45</b>                  |

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**Plan Benefits**

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

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

The Police Officers' Plan Fund includes a Deferred Retirement Option Program (DROP) under which members eligible for normal retirement may have their monthly pension benefit credited to an account while continuing to be actively employed for up to five years. As of September 30, 2023, Police Officers' Plan Fund net pension included \$0 of DROP account balances.

The Police Officers' Plan includes a Partial Lump Sum Option Program (PLOP) under which members eligible for normal retirement may choose to receive a certain percentage of the actuarial equivalent value of their monthly benefit as a lump sum payment, with the remaining annuity benefits paid in the standard form. For example, if a retiree elects to receive a 15 percent partial lump sum, 15 percent of the actuarial equivalent value would be paid as a one-time lump sum payment and 85 percent of the full annuity would be paid via normal regular payments.

The Police Officers' Plan includes a Share Plan, under which eligible active members and DROP participants receive supplemental pension benefits funded by a portion of annual premium tax revenues pursuant to Chapter 185, Florida Statutes. Individual member share accounts are established and maintained for accounting purposes, and each participant's account is credited annually with a portion of premium tax revenues received, as well as applicable investment earnings or losses. Distributions are made as lump sum payments or may be rolled over into another qualified plan.

**Contributions**

The City's contribution is actuarially determined. The City's required contribution as a percentage of covered payroll was 21.28%. Plan members are required to contribute 8% of their annual covered salary.

**Measurement Date**

The City has elected to use a measurement date to value the net pension liability and related deferred inflows and outflows as of September 30, 2022, one year prior to the reporting date. The City's Pension Plans do not issue separate financial statements. Therefore, the disclosures required by GASB Statement No. 67 as of September 30, 2023, are also included below.

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**Net Pension Liability**

The components of the net pension liability for the plan as of September 30, 2023, (reporting date) and for the year then ended, were as follows:

|   | <u>Total Pension<br/>Liability</u> | <u>Plan Fiduciary<br/>Net Position</u> | <u>Net Pension<br/>Liability</u> |
|---|------------------------------------|--|----------------------------------|
| <b>Balances at September 30, 2021</b>                               | \$ 12,404,374                      | \$ 12,726,614                          | \$ (322,240)                     |
| Changes for the Year:   |                                    |  |                                  |
| Service Cost  | 278,435                            | -                                      | 278,435                          |
| Interest  | 904,476                            | -                                      | 904,476                          |
| Share Plan Allocation   | 9,269                              | -                                      | 9,269                            |
| Differences Between Expected<br>and Actual Experience               | 47,431                             | -                                      | 47,431                           |
| Contributions - Employer  | -                                  | 344,044                                | (344,044)                        |
| Contributions - State   | -                                  | 66,933                                 | (66,933)                         |
| Contributions - Employee  | -                                  | 134,617                                | (134,617)                        |
| Contributions - Buy Back  | 23,969                             | 23,969                                 | -                                |
| Net Investment Income   | -                                  | (2,168,643)                            | 2,168,643                        |
| Benefit Payments, Including<br>Refunds of Contributions             | (1,246,267)                        | (1,246,267)                            | -                                |
| Administrative Expenses   | -                                  | (50,040)                               | 50,040                           |
| Net Changes   | <u>17,313</u>                      | <u>(2,895,387)</u>                     | <u>2,912,700</u>                 |
| <b>Balances at September 30, 2022</b>                               | <u>\$ 12,421,687</u>               | <u>\$ 9,831,227</u>                    | <u>\$ 2,590,460</u>              |
|   |                                    | <u>September 30, 2023</u>              |                                  |
| Total Pension Liability   |                                    | \$ 12,659,935                          |                                  |
| Plan Net Position   |                                    | 10,914,478                             |                                  |
| Net Pension Liability   |                                    | <u>\$ 1,745,457</u>                    |                                  |
| <b>Plan Net Position as a Percentage of Total Pension Liability</b> |                                    | 86.21%                                 |                                  |

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

For the year ended September 30, 2023, the City recognized total pension expense of \$373,986. The City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|   |  |                     |
|---|--|---------------------|
| <b>Deferred Outflows of Resources</b>   |  |                     |
| Difference Between Expected and Actual Experience                                   |  | \$ 115,832          |
| Changes of Assumptions  |  | 227,080             |
| Net Difference Between Projected and Actual Earnings<br>on Pension Plan Investments |  | 1,958,414           |
| Contributions Made After the Measurement Date                                       |  | 456,438             |
| <b>Total Deferred Outflow of Resources</b>  |  | <u>\$ 2,757,764</u> |
| <b>Deferred Inflows of Resources</b>  |  |                     |
| Changes in Assumptions  |  | \$ 42,300           |
| <b>Total Deferred Inflows of Resources</b>  |  | <u>\$ 42,300</u>    |

Contributions made after the measurement date (shown above) will be recognized as a reduction of net pension liability in the fiscal year ending September 30, 2024. Other amounts reported as deferred inflows and deferred outflows of resources related to pensions will be recognized in pension expense as follows:

**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2023**  
**CITY OF NEPTUNE BEACH, FLORIDA**

| Year Ended<br>September 30, | Amount     |
|-----------------------------|------------|
| 2024                        | \$ 616,846 |
| 2025                        | 568,081    |
| 2026                        | 454,922    |
| 2027                        | 619,177    |
| Thereafter                  | -          |

**Plan Investments**

The Board is responsible for establishing and amending the Police Officers' Plan Fund's investment policies. The Police Officers' Plan Fund's current investment policy gives the Board discretion to allocate assets with assistance of the Police Officers' Plan Fund's investment consultant. The Board has established the following asset allocation targets for the total fund as of September 30, 2023: (1) domestic equities target is 45% with a suggested range of 35% - 55% using the S&P 500 benchmark index; (2) international equities target is 10% with a suggested range of 5% - 25% using the MSCI-EAFE benchmark index; and (3) broad market fixed income has a target of 45% with suggested ranges of 35% - 55% using the Barclays intermediate aggregate bond index as a benchmark index. The Police Officers' Plan Fund did not hold investments in any one organization that represents 5% or more of the Police Officers' Plan Fund's net position. The money-weighted rate of return on Police Officers' Plan Fund investments, net of investment related expenses, was 12.79% and (17.28%) for the years ended September 30, 2023 and 2022, respectively.

**Actuarial Assumptions**

The total pension liability was determined by an actuarial valuation as of October 1, 2021, updated to September 30, 2023, using the following actuarial assumptions:

|  |               |
|--|---------------|
| Inflation                                      | 2.50%         |
| Salary Increases                               | Service Based |
| Discount Rate                                  | 7.50%         |
| Investment Rate of Return, Including Inflation | 7.50%         |

**Mortality Rate Healthy Active Lives:**

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

**Mortality Rate Retiree Lives:**

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

**Mortality Rate Beneficiary Lives:**

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

**Mortality Rate Disabled Lives:**

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

The most recent actuarial experience study used to review the other significant assumptions was dated August 11, 2021.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plans investment expenses and inflation) are developed for each major asset class. These ranges

**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2023**  
**CITY OF NEPTUNE BEACH, FLORIDA**

are combined to produce the long-term expected rate of return by weighting the expected future real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2023, and are summarized in the following table:

| <u>Asset Class</u>        | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|---------------------------|--------------------------|---|
| Domestic Equity           | 45.0%                    | 7.50%   |
| International Equity      | 10.0%                    | 8.50%   |
| Broad Market Fixed Income | 30.0%                    | 2.50%   |
| Real Estate               | 10.0%                    | 4.50%   |
| GTAA                      | 5.00%                    | 5.71%   |

***Discount Rate***

The discount rate used to measure the total pension liability was 7.50% for the reporting date of September 30, 2023 (measurement date of 2022).

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

***Sensitivity of the Net Pension Liability to Changes in the Discount Rate***

The following presents the net pension liability of the City, calculated using the discount rate of 7.50%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower 6.50%, or 1-percentage-point higher 8.50% than the current rate:

**As of September 30, 2023:**

|                       | 1%<br>Decrease (6.50%) | Current<br>Discount<br>Rate (7.50%) | 1%<br>Increase (8.50%) |
|-----------------------|------------------------|-------------------------------------|------------------------|
| Net Pension Liability | \$ 3,215,453           | \$ 1,745,457                        | \$ 517,102             |

**As of September 30, 2022:**

|                       | 1%<br>Decrease (6.50%) | Current<br>Discount<br>Rate (7.50%) | 1%<br>Increase (8.50%) |
|-----------------------|------------------------|-------------------------------------|------------------------|
| Net Pension Liability | \$ 4,035,460           | \$ 2,590,460                        | \$ 1,379,759           |

***401(a) Money Purchase Plan***

The City offers its general employees a single employer defined contribution plan (Defined Plan) created in accordance with Internal Revenue Code Section 401(a). The Defined Plan was established as of March 7, 1994, by adoption of the City Council through Ordinance No. 1994-4. The Defined Plan, available to all full-time employees other than police, provides for an individual investment account. The Defined Plan is administered by the ICMA Retirement Corporation. The Defined Plan does not require a mandatory contribution from participants. The City is obligated to contribute 7% of gross pay for employees with less

**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2023**  
**CITY OF NEPTUNE BEACH, FLORIDA**

than ten years of service. Participants with at least ten years of service may elect to contribute up to 9% of gross pay, which the City is required to match. Employees are 100% vested in their personal contributions and receive 100% of investment earnings earned thereon. At September 30, 2023, 39 employees were participating in the Defined Contribution Plan.

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

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

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

|  |              |
|--|--------------|
| Payroll for Covered Employees  | \$ 2,757,049 |
| Employer Contributions Required and<br>Actually Made – 7% of Covered Payroll | 192,993      |

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

***OPEB***

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

**Plan Description**

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

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

|                                     |                      |
|-------------------------------------|----------------------|
|                                     | <b>September 30,</b> |
|                                     | <b>2022</b>          |
| Inactive Employees or Beneficiaries |                      |
| Currently Receiving Benefits        | 17                   |
| Active Employees                    | 52                   |
| <b>Total</b>                        | <b>69</b>            |

**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2023**  
**CITY OF NEPTUNE BEACH, FLORIDA**

**Funding Policy**

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

**Actuarial Methods and Assumptions**

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

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

For the September 30, 2022 actuarial valuation, the Entry Age Cost Method (Level Percentage of Pay) was used. This method determines a service cost rate as a fixed percentage of compensation for each active participant.

The current years' service cost is the participant's compensation multiplied by the service cost rate. Under this method, service cost for each individual participant, payable from date of employment to date of retirement, is sufficient to pay for the participant's benefit at retirement.

Other actuarial assumptions are as follows:

|                             |  |
|-----------------------------|--|
| Salary Increases            | 3.00%  |
| Discount Rate               | 4.77%  |
| Investment Rate of Return   | 0.0%   |
| Healthcare Cost Trend Rates | 7.25% for fiscal year-end 2023, grading down to the ultimate trend rate of 4.00% in fiscal 2075. |

**Mortality.** Mortality rates were based on the Pub-2010 Mortality Tables with fully generational improvement using Scale MP-2018.

**Discount Rate.** The discount rate used to measure the total OPEB liability was 4.77% as of September 30, 2023, which is equal to the single rate of return developed pursuant to GASB Statement No. 75. The discount rate used to determine the liabilities under GASB Statement No. 75 depends on the City's funding policy. Since the City does not prefund benefits, the discount rate required to be used is based on the S&P Municipal Bond 20 Year High Grade Rate Index as published by S&P Dow Jones Indices nearest the measurement date. The S&P Municipal 20 Year High Grade Rate Index consists of bonds in the S&P Municipal Bond Index with a maturity of 20 years. Eligible bonds must be rated at least AA by Standard and Poor's Ratings Services, Aa2 by Moody's or AA by Fitch. If there are multiple ratings, the lowest rating is used.

**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2023**  
**CITY OF NEPTUNE BEACH, FLORIDA**

**Annual OPEB Cost and OPEB Obligation**

The City's total OPEB liability was measured as of September 30, 2022, and was determined by an actuarial valuation as of September 30, 2022.

Changes in the Total OPEB Liability:

|  | <b>Total OPEB Liability</b> |
|--|-----------------------------|
| <b>Balances at September 30, 2022</b>              | \$ 1,056,031                |
| Changes for the Year:                              |                             |
| Service Cost                                       | 25,062                      |
| Interest   | 25,835                      |
| Differences Between Expected and Actual Experience | 109,249                     |
| Change in Assumptions                              | (387,781)                   |
| Benefit Payments                                   | (36,088)                    |
| Net Changes  | (263,723)                   |
| <b>Balances at September 30, 2023</b>              | <b>\$ 792,308</b>           |

**Sensitivity of the Total OPEB Liability to Changes in the Discount Rate.** The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

|                | 1%<br>Decrease | Discount<br>Rate | 1%<br>Increase |
|----------------|----------------|------------------|----------------|
| OPEB Liability | \$ 893,276     | \$ 792,308       | \$ 708,467     |

**Sensitivity of the Total OPEB Liability to Changes in Healthcare Cost Trend Rates.** The following presents the total OPEB liability for the City, as well as what the City's total OPEB liability would be if it were calculated using healthcare trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

|                | 1%<br>Decrease | Healthcare Cost<br>Trend Rates | 1%<br>Increase |
|----------------|----------------|--------------------------------|----------------|
| OPEB Liability | \$ 780,025     | \$ 792,308                     | \$ 806,399     |

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

For the year ended September 30, 2023, the City recognized OPEB expense of \$12,228.

At September 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

|   |                   |
|---|-------------------|
| <b>Deferred Outflows of Resources</b>             |                   |
| Difference Between Expected and Actual Experience | \$ 115,863        |
| Changes of Assumptions                            | 85,448            |
| Contributions Made After the Measurement Date     | 37,083            |
| <b>Total Deferred Outflow of Resources</b>        | <b>\$ 238,394</b> |
| <b>Deferred Inflows of Resources</b>              |                   |
| Difference Between Expected and Actual Experience | \$ 13,100         |
| Changes in Assumptions                            | 341,422           |
| <b>Total Deferred Inflows of Resources</b>        | <b>\$ 354,522</b> |

**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2023**  
**CITY OF NEPTUNE BEACH, FLORIDA**

Contributions made after the measurement date (shown above) will be recognized as a reduction of the OPEB liability in the fiscal year ending September 30, 2024. Other amounts reported as deferred inflows and deferred outflows of resources related to OPEB will be recognized in pension expense as follows:

| <u>Year Ended</u><br><u>September 30,</u> | <u>Amount</u> |
|---|---------------|
| 2024                                      | \$ (40,219)   |
| 2025                                      | (40,219)      |
| 2026                                      | (40,213)      |
| 2027                                      | (41,055)      |
| 2028                                      | 13,692        |
| Thereafter                                | (5,197)       |

**Note 10 - Deferred Compensation Plan**

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

**Note 11 - Interlocal Agreement**

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

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

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

The City of Atlantic Beach provides all accounting and purchasing services for the Joint Venture. Repair and maintenance of the outfall lines and disposal of the facilities is shared by the participating municipalities in the percentages noted above. During fiscal year 2023, there were no significant payments made to the Joint Venture. The Joint Venture has no debt outstanding on applicable financial statements as of September 30, 2023.

**NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2023  
CITY OF NEPTUNE BEACH, FLORIDA**

**Note 12 - Risk Management**

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

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

**Note 13 - Other Disclosures**

**Deficit Fund Balance/Net Position**

The following funds had a deficit fund balance/net position as of September 30, 2023:

|                          |    |           |
|--------------------------|----|-----------|
| Sanitation Fund          | \$ | (345,760) |
| Capital Improvement Fund |    | (484,171) |
| Jarboe Park CIP Fund     |    | (25,829)  |

**Note 14 - Restatements**

*Correction of Errors*

- For the year ended September 30, 2022, the City recorded \$258,260 of intergovernmental revenues in the general fund for lifeguard/beach cleanup fees that had been earned but were not received until April of 2024. Since these funds were not received during that fiscal year or within the 60-day period of availability immediately after year-end, fund balance in the general fund was overstated by \$258,260 as of October 1, 2022.
- During the year ended September 30, 2022, the City completed construction work required to earn \$245,295 of grant revenues in the stormwater fund. However, these revenues were recorded in the following fiscal year, when they were received, resulting in an understatement of net position in the stormwater fund and business-type activities as of October 1, 2022.

The restatements of beginning fund balance and net position are summarized as follows:

|                                    | <b>Fund Balance<br/>As Previously<br/>Reported</b> | <b>Adjustment to<br/>Remove Unavailable<br/>Resources</b> | <b>Fund Balance<br/>As Restated</b> |
|------------------------------------|--|---|-------------------------------------|
| <b>Governmental Funds</b>          |  |   |                                     |
| General Fund                       | \$ 3,468,506                                       | \$ (258,260)  | \$ 3,210,246                        |
|                                    |  |   |                                     |
| <b>Enterprise Funds</b>            |  |   |                                     |
| Enterprise Funds - Stormwater Fund | \$ 3,361,192                                       | \$ 245,295  | \$ 3,606,487                        |
| Business-Type Activities           | 19,975,455   | 245,295   | \$ 20,220,750                       |



# **Required Supplementary Information**

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(Unaudited)

Annual Financial Report

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2023  
CITY OF NEPTUNE BEACH, FLORIDA**

|  | <u>Budgeted Amounts</u> |                    | <u>Actual<br/>Amounts</u> | <u>Variance With<br/>Final Budget<br/>Positive<br/>(Negative)</u> |
|--|-------------------------|--------------------|---------------------------|---|
|  | <u>Original</u>         | <u>Final</u>       |                           |   |
| <b>Revenues</b>  |                         |                    |                           |   |
| Taxes  | \$ 4,061,263            | \$ 4,061,263       | \$ 3,955,313              | \$ (105,950)  |
| Charges for Services   | 12,720                  | 12,720             | 13,303                    | 583   |
| Licenses and Permits   | 228,500                 | 228,500            | 342,566                   | 114,066   |
| Franchise Fees   | 346,900                 | 346,900            | 370,277                   | 23,377  |
| Intergovernmental  | 1,390,450               | 1,390,450          | 4,525,141                 | 3,134,691   |
| Fines and Forfeitures  | 27,425                  | 27,425             | 44,926                    | 17,501  |
| Investment Income  | 200                     | 200                | 41,062                    | 40,862  |
| Miscellaneous  | 114,157                 | 114,157            | 527,275                   | 413,118   |
| <b>Total Revenues</b>  | <u>6,181,615</u>        | <u>6,181,615</u>   | <u>9,819,863</u>          | <u>3,638,248</u>  |
| <b>Expenditures</b>  |                         |                    |                           |   |
| Current:   |                         |                    |                           |   |
| Mayor and Council  | 41,020                  | 41,020             | 42,220                    | (1,200)   |
| City Manager   | 220,400                 | 220,400            | 152,813                   | 67,587  |
| Finance Department   | 235,925                 | 264,610            | 364,675                   | (100,065)   |
| City Attorney  | 150,150                 | 150,150            | 162,933                   | (12,783)  |
| Building Department  | 535,050                 | 506,365            | 423,012                   | 83,353  |
| City Clerk   | 225,050                 | 225,050            | 166,990                   | 58,060  |
| Non-Department   | 604,008                 | 604,008            | 701,855                   | (97,847)  |
| Police Department  | 4,206,143               | 4,242,993          | 4,428,484                 | (185,491)   |
| Public Works   | 749,921                 | 749,921            | 862,144                   | (112,223)   |
| Lifeguards/Beach Cleanup   | 297,225                 | 297,225            | 298,768                   | (1,543)   |
| <b>(Total Expenditures)</b>  | <u>(7,264,892)</u>      | <u>(7,301,742)</u> | <u>(7,603,894)</u>        | <u>(302,152)</u>  |
| <b>Excess (Deficiency) of Revenues Over<br/>(Under) Expenditures</b> | <u>(1,083,277)</u>      | <u>(1,120,127)</u> | <u>2,215,969</u>          | <u>3,336,096</u>  |
| <b>Other Financing Sources (Uses)</b>                                |                         |                    |                           |   |
| Proceeds of Sale of Capital Assets                                   | -                       | -                  | 49,640                    | 49,640  |
| SBITAs   | -                       | -                  | 134,704                   | 134,704   |
| Transfers In   | 933,000                 | 933,000            | 575,000                   | (358,000)   |
| <b>Total Other Financing Sources (Uses)</b>                          | <u>933,000</u>          | <u>933,000</u>     | <u>759,344</u>            | <u>(173,656)</u>  |
| <b>Net Change in Fund Balance</b>                                    | (150,277)               | (187,127)          | 2,975,313                 | 3,162,440   |
| <b>Fund Balances, Beginning of Year</b>                              | <u>150,277</u>          | <u>187,127</u>     | <u>3,210,246</u>          | <u>3,023,119</u>  |
| <b>Fund Balances, End of Year</b>                                    | <u>\$ -</u>             | <u>\$ -</u>        | <u>\$ 6,185,559</u>       | <u>\$ 6,185,559</u>   |

**NOTE TO THE BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

**Note 1 - Budgetary Information**

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

The Governmental Accounting Standards Board Statement No. 96 requirement to record new subscription-based information technology arrangements entered into during the year as capital outlay expenditures resulted in Non-Department expenditures exceeding the final budget. However, these expenditures of \$134,704 did not result in an actual outlay of funds, but are instead offset by other finance source revenues. Non-Department expenditures resulting from actual outlays of funds were less than the total final budget.

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

|  | September 30,<br>2023 | September 30,<br>2022 | September 30,<br>2021 | September 30,<br>2020 |
|--|-----------------------|-----------------------|-----------------------|-----------------------|
| <b>Total Pension Liability</b>   |                       |                       |                       |                       |
| Service Cost   | \$ 285,141            | \$ 278,435            | \$ 256,002            | \$ 227,090            |
| Interest   | 925,620               | 904,476               | 873,513               | 832,213               |
| Changes in Excess State Money  | -                     | -                     | -                     | -                     |
| Share Plan Allocation  | 11,013                | 9,269                 | -                     | 9,335                 |
| Benefit Payments Paid Due from Excess State Money Reserve              | -                     | -                     | -                     | -                     |
| Differences Between Expected and Actual Experience                     | (263,762)             | 47,431                | 66,998                | 187,031               |
| Changes of Assumptions   | -                     | -                     | 454,161               | (169,198)             |
| Contributions - Buy Back   | 10,697                | 23,969                | 14,829                | 3,708                 |
| Benefit Payments, Including Refunds of Member Contributions            | (730,461)             | (1,246,267)           | (552,519)             | (619,859)             |
| Net Change in Total Pension Liability                                  | 238,248               | 17,313                | 1,112,984             | 470,320               |
| Total Pension Liability - Beginning                                    | 12,421,687            | 12,404,374            | 11,291,390            | 10,821,070            |
| Total Pension Liability - Ending (a)                                   | <u>12,659,935</u>     | <u>12,421,687</u>     | <u>12,404,374</u>     | <u>11,291,390</u>     |
| <b>Plan Fiduciary Net Position</b>                                     |                       |                       |                       |                       |
| Contributions - Employer   | 386,017               | 344,044               | 547,372               | 496,735               |
| Contributions - State  | 70,421                | 66,933                | -                     | 67,065                |
| Contributions - Employee   | 154,407               | 134,617               | 132,869               | 120,530               |
| Contributions - Buy Back   | 10,697                | 23,969                | 14,829                | 3,708                 |
| Net Investment Income  | 1,242,287             | (2,168,643)           | 1,729,363             | 863,448               |
| Benefit Payments, Including Refunds of Employee Contributions          | (730,461)             | (1,246,267)           | (552,519)             | (619,859)             |
| Administrative Expense   | (50,117)              | (50,040)              | (52,468)              | (52,752)              |
| Net Change in Plan Fiduciary Net Position                              | 1,083,251             | (2,895,387)           | 1,819,446             | 878,875               |
| Plan Fiduciary Net Position - Beginning                                | 9,831,227             | 12,726,614            | 10,907,168            | 10,028,293            |
| Plan Fiduciary Net Position - Ending (b)                               | 10,914,478            | 9,831,227             | 12,726,614            | 10,907,168            |
| <b>Net Pension Liability - Ending (a) - (b)</b>                        | <u>\$ 1,745,457</u>   | <u>\$ 2,590,460</u>   | <u>\$ (322,240)</u>   | <u>\$ 384,222</u>     |
| Plan Fiduciary Net Position as a Percentage of Total Pension Liability | 86.21%                | 79.15%                | 102.60%               | 96.60%                |
| Covered Employee Payroll*  | \$ 1,930,085          | \$ 1,682,714          | \$ 1,660,865          | \$ 1,506,625          |
| Net Pension Liability as a Percentage of Covered Employee Payroll      | 90.43%                | 153.95%               | -19.40%               | 25.50%                |

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

**Notes to Schedule:**

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

**Changes of Benefit Terms:**

For the measurement date September 30, 2021, amounts reported as changes of assumptions resulted from an experience study dated August 11, 2021. The following changes were made:

- The investment return assumption was lowered from 7.75% to 7.50%, net of investment related expenses.
- The salary increase assumption was changed, reducing the assumed rate at all service levels.
- The normal retirement assumption was changed to immediate retirement upon first eligibility.
- The termination rates were changed, resulting in higher assumed termination rates for members with less than 5 years of service, but generally lower assumed termination rates for those with more than 5 years of service.

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

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

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

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

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

| September 30,<br>2019 | September 30,<br>2018 | September 30,<br>2017 | September 30,<br>2016 | September 30,<br>2015 | September 30,<br>2014 |
|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| \$ 209,773            | \$ 180,830            | \$ 186,399            | \$ 206,787            | \$ 176,459            | \$ 200,463            |
| 816,477               | 786,369               | 758,549               | 747,888               | 705,481               | 680,670               |
| -                     | (295,249)             | 31,981                | (11,031)              | 28,631                | 26,003                |
| 31,455                | 122,043               | -                     | -                     | -                     | -                     |
| -                     | -                     | -                     | 43,251                | -                     | -                     |
| 47,624                | 72,076                | (212,331)             | (95,501)              | 158,907               | -                     |
| -                     | -                     | -                     | 104,045               | 13,848                | -                     |
| 4,969                 | 8,394                 | 38,780                | 9,448                 | -                     | -                     |
| <u>(1,229,292)</u>    | <u>(391,041)</u>      | <u>(509,179)</u>      | <u>(517,103)</u>      | <u>(592,783)</u>      | <u>(501,198)</u>      |
| (118,994)             | 483,422               | 294,199               | 487,784               | 490,543               | 405,938               |
| 10,940,064            | 10,456,642            | 10,162,443            | 9,674,659             | 9,184,116             | 8,778,178             |
| <u>10,821,070</u>     | <u>10,940,064</u>     | <u>10,456,642</u>     | <u>10,162,443</u>     | <u>9,674,659</u>      | <u>9,184,116</u>      |
| 430,046               | 406,116               | 363,572               | 349,485               | 359,489               | 295,253               |
| 124,608               | -                     | 58,873                | 59,112                | 55,523                | 52,895                |
| 104,349               | 98,542                | 88,219                | 84,801                | 78,060                | 101,569               |
| 4,969                 | 8,394                 | 38,780                | 9,448                 | 13,848                | -                     |
| 537,577               | 624,428               | 1,006,730             | 427,781               | 15,377                | 746,595               |
| <u>(1,229,292)</u>    | <u>(391,041)</u>      | <u>(509,179)</u>      | <u>(517,103)</u>      | <u>(592,783)</u>      | <u>(501,198)</u>      |
| (43,191)              | (36,599)              | (32,531)              | (32,292)              | (23,445)              | (13,046)              |
| <u>(70,934)</u>       | <u>709,840</u>        | <u>1,014,464</u>      | <u>381,232</u>        | <u>(93,931)</u>       | <u>682,068</u>        |
| 10,099,227            | 9,389,387             | 8,374,923             | 7,993,691             | 8,087,622             | 7,405,554             |
| <u>10,028,293</u>     | <u>10,099,227</u>     | <u>9,389,387</u>      | <u>8,374,923</u>      | <u>7,993,691</u>      | <u>8,087,622</u>      |
| <u>\$ 792,777</u>     | <u>\$ 840,837</u>     | <u>\$ 1,067,255</u>   | <u>\$ 1,787,520</u>   | <u>\$ 1,680,968</u>   | <u>\$ 1,096,494</u>   |
| 92.67%                | 92.31%                | 89.79%                | 82.41%                | 82.63%                | 88.06%                |
| <u>\$ 1,304,356</u>   | <u>\$ 1,231,774</u>   | <u>\$ 1,102,738</u>   | <u>\$ 1,060,008</u>   | <u>\$ 1,330,898</u>   | <u>\$ 966,824</u>     |
| 60.78%                | 68.26%                | 96.78%                | 168.63%               | 126.30%               | 113.41%               |

**Notes to Schedule:**

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

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

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

|   | September 30,<br>2023 | September 30,<br>2022 | September 30,<br>2021 | September 30,<br>2020 | September 30,<br>2019 |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Actuarially Determined Contribution                                   | \$ 410,722            | \$ 391,904            | \$ 393,293            | \$ 370,178            | \$ 373,568            |
| Contributions in Relation to the Actuarially Determined Contributions | 445,425               | 401,708               | 547,372               | 554,466               | 523,199               |
| Contribution (Excess) Deficiency                                      | <u>\$ (34,703)</u>    | <u>\$ (9,804)</u>     | <u>\$ (154,079)</u>   | <u>\$ (184,288)</u>   | <u>\$ (149,631)</u>   |
| Covered Employee Payroll  | <u>\$ 1,930,085</u>   | <u>\$ 1,682,714</u>   | <u>\$ 1,660,865</u>   | <u>\$ 1,506,625</u>   | <u>\$ 1,304,356</u>   |
| Contributions as a Percentage of Covered Employee Payroll             | 23.08%                | 23.87%                | 32.96%                | 36.80%                | 40.11%                |

**Notes to Schedule:**

Valuation Date: October 1, 2021

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

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

**Mortality:** *Mortality Rate Healthy*  
 Female: PubS.H-2010 for Employees, set forward one year.  
 Male: PubS.H-2010 (Below Median) for Employees, set forward one year.  
*Mortality Rate Retiree Lives:*  
 Female: PubS.H-2010 for Healthy Retirees, set forward one year.  
 Male: PubS.H-2010 (Below Median) for Healthy Retirees, set forward one year.  
*Mortality Rate Beneficiary Lives:*  
 Female: PubG.H-2010 (Below Median) for Healthy Retirees.  
 Male: PubG.H-2010 (Below Median) for Healthy Retirees, set back one year.  
*Mortality Rate Disabled Lives:*  
 80% PubG.H-2010 for Disabled Retirees / 20% PubS.H-2010 for Disabled Retirees.  
 All rates are projected generationally with Mortality Improvement Scale MP-2018.  
 We feel this assumption sufficiently accommodates future mortality improvements.  
 The previously described mortality assumption rates were mandated by Chapter 2015-157, Laws of Florida.  
 This law mandates the use of the assumptions used in either of the two most recent valuations of the Florida Retirement System (FRS).  
 The above rates are those outlined in Milliman's July 1, 2021, FRS valuation report for special risk employees, with appropriate adjustments made based on plan demographics.

**Interest Rate:** 7.50% per year compounded annually, net of investment related expenses. This is supported by the target asset allocation of the trust and the expected long-term return by asset class.

**Retirement Age:** 100% upon first eligibility for normal retirement. The assumed rates of normal retirement were approved in conjunction with an actuarial study dated August 11, 2021.

**Early Retirement:** None

|                          |         |        |
|--------------------------|---------|--------|
| <b>Disability Rate:</b>  | Age     | Rate   |
|                          | 20      | 0.03%  |
|                          | 30      | 0.04%  |
|                          | 40      | 0.07%  |
|                          | 50      | 0.18%  |
| <b>Termination Rate:</b> | Service | Rate   |
|                          | <5      | 10.0%  |
|                          | 5-9     | 8.0%   |
|                          | 10-14   | 2.0%   |
|                          | 15+     | 1.0%   |
| <b>Salary Increases:</b> | Service | Rate   |
|                          | <5      | 12.00% |
|                          | 5-9     | 7.50%  |
|                          | 10+     | 3.75%  |

**Funding Method:** Entry Age Normal Actuarial Cost Method.

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

| September 30,<br>2018 | September 30,<br>2017 | September 30,<br>2016 | September 30,<br>2015 | September 30,<br>2014 |
|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| \$ 337,875            | \$ 351,994            | \$ 380,225            | \$ 322,780            | \$ 322,145            |
| 442,173               | 390,464               | 376,377               | 386,381               | 322,145               |
| \$ (104,298)          | \$ (38,470)           | \$ 3,848              | \$ (63,601)           | \$ -                  |
| \$ 1,231,774          | \$ 1,102,738          | \$ 1,060,008          | \$ 1,330,898          | \$ 966,824            |
| 35.90%                | 35.41%                | 35.51%                | 29.03%                | 33.32%                |

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

|   | <u>September 30,<br/>2023</u> | <u>September 30,<br/>2022</u> | <u>September 30,<br/>2021</u> | <u>September 30,<br/>2020</u> | <u>September 30,<br/>2019</u> | <u>September 30,<br/>2018</u> | <u>September 30,<br/>2017</u> | <u>September 30,<br/>2016</u> | <u>September 30,<br/>2015</u> | <u>September 30,<br/>2014</u> |
|---|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| Annual Money-Weighted<br>Rate of Return, Net<br>of Investment Expense | 12.79%                        | -17.28%                       | 15.79%                        | 8.61%                         | 5.32%                         | 6.63%                         | 12.09%                        | 5.39%                         | 0.19%                         | 9.98%                         |

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

| <b>Total OPEB Liability</b>   | <b>2023</b>         | <b>2022</b>         | <b>2021</b>         | <b>2020</b>         | <b>2019</b>         | <b>2018</b>         |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Service Cost  | \$ 25,062           | \$ 25,831           | \$ 18,644           | \$ 17,847           | \$ 23,999           | \$ 23,300           |
| Interest on the Total OPEB Liability                                | 25,835              | 23,352              | 32,604              | 31,888              | 29,501              | 28,300              |
| Difference Between Expected and<br>Actual Experience                | 109,249             | -                   | 45,543              | -                   | (34,940)            | -                   |
| Changes of Assumptions and Other Inputs                             | (387,781)           | (41,597)            | 105,593             | 7,709               | 41,594              | -                   |
| Benefit Payments  | (36,088)            | (33,727)            | (24,437)            | (22,627)            | (19,046)            | (17,800)            |
| Net Change in Total OPEB Liability                                  | (263,723)           | (26,141)            | 177,947             | 34,817              | 41,108              | 33,800              |
| Total OPEB Liability - Beginning                                    | 1,056,031           | 1,082,172           | 904,225             | 869,408             | 828,300             | 794,500             |
| Total OPEB Liability - Ending                                       | <u>792,308</u>      | <u>1,056,031</u>    | <u>1,082,172</u>    | <u>904,225</u>      | <u>869,408</u>      | <u>828,300</u>      |
| <b>Plan Fiduciary Net Position</b>                                  |                     |                     |                     |                     |                     |                     |
| Contributions - Employer  | 37,638              | 37,827              | 25,937              | 22,627              | 19,046              | 17,800              |
| Benefit Payments, Including Refunds<br>of Employer Contributions    | (37,638)            | (37,827)            | (25,937)            | (22,627)            | (19,046)            | (17,800)            |
| Net Change in Plan Fiduciary Net Position                           | -                   | -                   | -                   | -                   | -                   | -                   |
| Plan Fiduciary Net Position - Beginning                             | -                   | -                   | -                   | -                   | -                   | -                   |
| Plan Fiduciary Net Position - Ending                                | <u>-</u>            | <u>-</u>            | <u>-</u>            | <u>-</u>            | <u>-</u>            | <u>-</u>            |
| Covered-Employee Payroll  | <u>\$ 3,666,110</u> | <u>\$ 3,930,577</u> | <u>\$ 3,816,094</u> | <u>\$ 3,726,801</u> | <u>\$ 3,618,253</u> | <u>\$ 3,173,800</u> |
| Total OPEB Liability as a Percentage<br>of Covered-Employee Payroll | 21.61%              | 26.87%              | 28.36%              | 24.26%              | 24.03%              | 26.10%              |

**Notes to Schedule:**

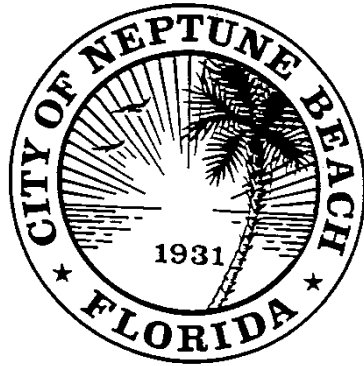
No assets are being accumulated in a trust to pay for the benefits.  
Additional years will be added to this schedule annually until 10 years of data is presented.

Covered Employee Payroll was projected forward from the valuation date for the reporting period ended September 30, 2022.

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

|                                       |       |
|---------------------------------------|-------|
| Fiscal Year Ended September 30, 2023: | 4.77% |
| Fiscal Year Ended September 30, 2022: | 2.43% |
| Fiscal Year Ended September 30, 2021: | 2.14% |
| Fiscal Year Ended September 30, 2020: | 3.58% |
| Fiscal Year Ended September 30, 2019: | 3.64% |
| Fiscal Year Ended September 30, 2018: | 3.50% |

*Benefit Payments.* The Plan sponsor did not provide actual net benefits paid by the Plan for the fiscal year ended September 30, 2023. Expected net benefit payments produced by the valuation model for the same period are shown in the table above.



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

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Annual Financial Report

**DESCRIPTION OF NON-MAJOR GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2023**

**Special Revenue Funds**

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

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

**DESCRIPTION OF NON-MAJOR GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2023**

**Capital Projects Funds**

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

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

**COMBINING BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2023  
CITY OF NEPTUNE BEACH, FLORIDA**

|  | Special Revenue Funds       |   |                                       |                                |                               |                                    |
|--|-----------------------------|---|---------------------------------------|--------------------------------|-------------------------------|------------------------------------|
|  | Police<br>Education<br>Fund | Community<br>Development<br>Block Grant<br>Fund | Convention<br>Development<br>Tax Fund | Forfeiture<br>Proceeds<br>Fund | Street<br>Improvement<br>Fund | Local<br>Option<br>Gas Tax<br>Fund |
| <b>Assets</b>                                  |                             |   |                                       |                                |                               |                                    |
| Equity in Pooled Cash and<br>Cash Equivalents  | \$ 25,979                   | \$ 287,050                                      | \$ 97,337                             | \$ 33,337                      | \$ 485,091                    | \$ 168,509                         |
| Due from Other Governments                     | 311                         | 1,085   | 535                                   | -                              | 6,378                         | 33,541                             |
| Due from Other Funds                           | -                           | -   | -                                     | -                              | -                             | -                                  |
| Prepaid Expense                                | -                           | 26  | -                                     | -                              | -                             | -                                  |
| <b>Total Assets</b>                            | <u>26,290</u>               | <u>288,161</u>                                  | <u>97,872</u>                         | <u>33,337</u>                  | <u>491,469</u>                | <u>202,050</u>                     |
| <b>Liabilities and Fund Balances</b>           |                             |   |                                       |                                |                               |                                    |
| <b>Liabilities</b>                             |                             |   |                                       |                                |                               |                                    |
| Accounts Payable and<br>Accrued Liabilities    | -                           | 8,837   | 649                                   | -                              | 11,731                        | 14,260                             |
| Due to Other Funds                             | -                           | -   | -                                     | -                              | -                             | -                                  |
| <b>Total Liabilities</b>                       | <u>-</u>                    | <u>8,837</u>                                    | <u>649</u>                            | <u>-</u>                       | <u>11,731</u>                 | <u>14,260</u>                      |
| <b>Fund Balances</b>                           |                             |   |                                       |                                |                               |                                    |
| Restricted for:                                |                             |   |                                       |                                |                               |                                    |
| Public Safety                                  | 26,290                      | -   | -                                     | 33,337                         | -                             | -                                  |
| Capital Outlay                                 | -                           | -   | -                                     | -                              | 479,738                       | 187,790                            |
| Other Purposes                                 | -                           | -   | 97,223                                | -                              | -                             | -                                  |
| Assigned:                                      |                             |   |                                       |                                |                               |                                    |
| Community Development                          | -                           | 279,324   | -                                     | -                              | -                             | -                                  |
| Unassigned                                     | -                           | -   | -                                     | -                              | -                             | -                                  |
| <b>Total Fund Balances</b>                     | <u>26,290</u>               | <u>279,324</u>                                  | <u>97,223</u>                         | <u>33,337</u>                  | <u>479,738</u>                | <u>187,790</u>                     |
| <b>Total Liabilities and Fund<br/>Balances</b> | <u>\$ 26,290</u>            | <u>\$ 288,161</u>                               | <u>\$ 97,872</u>                      | <u>\$ 33,337</u>               | <u>\$ 491,469</u>             | <u>\$ 202,050</u>                  |

| Special Revenue Funds                |   |                          |                               |                                      | Capital Projects Fund          |                            |                                       | Total                                       |
|--------------------------------------|---|--------------------------|-------------------------------|--------------------------------------|--------------------------------|----------------------------|---------------------------------------|---|
| Radio<br>Communi-<br>cations<br>Fund | Better<br>Jacksonville<br>Half-Cent<br>Fund | Holiday<br>Décor<br>Fund | King Neptune<br>Trust<br>Fund | Total<br>Special<br>Revenue<br>Funds | Capital<br>Improvement<br>Fund | Jarboe Park<br>CIP<br>Fund | Total<br>Capital<br>Projects<br>Funds | Total<br>Non-Major<br>Governmental<br>Funds |
| \$ 82,632                            | \$ 662,576                                  | \$ 11,840                | \$ 74,574                     | \$ 1,928,925                         | \$ -                           | \$ 3,000                   | \$ 3,000                              | \$ 1,931,925                                |
| 1,055                                | 72,427                                      | -                        | -                             | 115,332                              | -                              | -                          | -                                     | 115,332                                     |
| -                                    | 162,000                                     | -                        | -                             | 162,000                              | -                              | -                          | -                                     | 162,000                                     |
| -                                    | -   | -                        | -                             | 26                                   | -                              | -                          | -                                     | 26  |
| <u>83,687</u>                        | <u>897,003</u>                              | <u>11,840</u>            | <u>74,574</u>                 | <u>2,206,283</u>                     | <u>-</u>                       | <u>3,000</u>               | <u>3,000</u>                          | <u>2,209,283</u>                            |
| -                                    | -   | -                        | -                             | 35,477                               | 194,379                        | 13,724                     | 208,103                               | 243,580                                     |
| -                                    | -   | -                        | -                             | -                                    | 289,792                        | 15,105                     | 304,897                               | 304,897                                     |
| -                                    | -   | -                        | -                             | 35,477                               | 484,171                        | 28,829                     | 513,000                               | 548,477                                     |
| -                                    | -   | -                        | -                             | 59,627                               | -                              | -                          | -                                     | 59,627                                      |
| 83,687                               | 897,003                                     | -                        | -                             | 1,648,218                            | -                              | -                          | -                                     | 1,648,218                                   |
| -                                    | -   | 11,840                   | 74,574                        | 183,637                              | -                              | -                          | -                                     | 183,637                                     |
| -                                    | -   | -                        | -                             | 279,324                              | -                              | -                          | -                                     | 279,324                                     |
| -                                    | -   | -                        | -                             | -                                    | (484,171)                      | (25,829)                   | (510,000)                             | (510,000)                                   |
| <u>83,687</u>                        | <u>897,003</u>                              | <u>11,840</u>            | <u>74,574</u>                 | <u>2,170,806</u>                     | <u>(484,171)</u>               | <u>(25,829)</u>            | <u>(510,000)</u>                      | <u>1,660,806</u>                            |
| <u>\$ 83,687</u>                     | <u>\$ 897,003</u>                           | <u>\$ 11,840</u>         | <u>\$ 74,574</u>              | <u>\$ 2,206,283</u>                  | <u>\$ -</u>                    | <u>\$ 3,000</u>            | <u>\$ 3,000</u>                       | <u>\$ 2,209,283</u>                         |

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES  
NON-MAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2023  
CITY OF NEPTUNE BEACH, FLORIDA**

|  | Special Revenue Funds       |   |                                       |                                |                               |                                    |
|--|-----------------------------|---|---------------------------------------|--------------------------------|-------------------------------|------------------------------------|
|  | Police<br>Education<br>Fund | Community<br>Development<br>Block Grant<br>Fund | Convention<br>Development<br>Tax Fund | Forfeiture<br>Proceeds<br>Fund | Street<br>Improvement<br>Fund | Local<br>Option<br>Gas Tax<br>Fund |
| <b>Revenues</b>  |                             |   |                                       |                                |                               |                                    |
| Taxes  | \$ -                        | \$ -  | \$ 10,227                             | \$ -                           | \$ -                          | \$ 393,530                         |
| Fines and Forfeitures  | 2,442                       | -   | -                                     | 27,709                         | -                             | -                                  |
| Intergovernmental Revenues   | -                           | 39,053  | -                                     | -                              | 84,698                        | -                                  |
| Charges for Services   | -                           | 23,609  | -                                     | -                              | -                             | -                                  |
| Miscellaneous  | -                           | 183,565   | -                                     | -                              | -                             | -                                  |
| <b>Total Revenues</b>  | <u>2,442</u>                | <u>246,227</u>                                  | <u>10,227</u>                         | <u>27,709</u>                  | <u>84,698</u>                 | <u>393,530</u>                     |
| <b>Expenditures</b>  |                             |   |                                       |                                |                               |                                    |
| Current:   |                             |   |                                       |                                |                               |                                    |
| Public Safety  | -                           | -   | -                                     | -                              | -                             | -                                  |
| Public Works   | -                           | -   | -                                     | -                              | 64,300                        | 253,453                            |
| Culture and Recreation   | -                           | 130,371   | 9,350                                 | -                              | -                             | -                                  |
| Capital Outlay   | -                           | 3,775   | -                                     | -                              | 100,000                       | -                                  |
| <b>(Total Expenditures)</b>  | <u>-</u>                    | <u>(134,146)</u>                                | <u>(9,350)</u>                        | <u>-</u>                       | <u>(164,300)</u>              | <u>(253,453)</u>                   |
| <b>Excess (Deficiency) of Revenues<br/>Over (Under) Expenditures</b> | <u>2,442</u>                | <u>112,081</u>                                  | <u>877</u>                            | <u>27,709</u>                  | <u>(79,602)</u>               | <u>140,077</u>                     |
| <b>Other Financing Sources (Uses)</b>                                |                             |   |                                       |                                |                               |                                    |
| Transfers (Out)  | -                           | -   | -                                     | -                              | -                             | -                                  |
| <b>Total Other Financing<br/>Sources (Uses)</b>                      | <u>-</u>                    | <u>-</u>  | <u>-</u>                              | <u>-</u>                       | <u>-</u>                      | <u>-</u>                           |
| <b>Net Change in Fund Balance</b>                                    | 2,442                       | 112,081   | 877                                   | 27,709                         | (79,602)                      | 140,077                            |
| <b>Fund Balances (Deficits),<br/>Beginning of Year</b>               | <u>23,848</u>               | <u>167,243</u>                                  | <u>96,346</u>                         | <u>5,628</u>                   | <u>559,340</u>                | <u>47,713</u>                      |
| <b>Fund Balances (Deficits),<br/>End of Year</b>                     | <u>\$ 26,290</u>            | <u>\$ 279,324</u>                               | <u>\$ 97,223</u>                      | <u>\$ 33,337</u>               | <u>\$ 479,738</u>             | <u>\$ 187,790</u>                  |

| Special Revenue Funds                |   |                          |                               |                                      | Capital Projects Fund          |                            |                                       | Total                                       |
|--------------------------------------|---|--------------------------|-------------------------------|--------------------------------------|--------------------------------|----------------------------|---------------------------------------|---|
| Radio<br>Communi-<br>cations<br>Fund | Better<br>Jacksonville<br>Half-Cent<br>Fund | Holiday<br>Décor<br>Fund | King Neptune<br>Trust<br>Fund | Total<br>Special<br>Revenue<br>Funds | Capital<br>Improvement<br>Fund | Jarboe Park<br>CIP<br>Fund | Total<br>Capital<br>Projects<br>Funds | Total<br>Non-Major<br>Governmental<br>Funds |
| \$ -                                 | \$ 690,366                                  | \$ -                     | \$ -                          | \$ 1,094,123                         | \$ -                           | \$ -                       | \$ -                                  | \$ 1,094,123                                |
| 13,281                               | -   | -                        | -                             | 43,432                               | -                              | -                          | -                                     | 43,432                                      |
| -                                    | -   | -                        | -                             | 123,751                              | -                              | -                          | -                                     | 123,751                                     |
| -                                    | -   | -                        | -                             | 23,609                               | -                              | -                          | -                                     | 23,609                                      |
| -                                    | -   | 10,380                   | 8,584                         | 202,529                              | -                              | 3,000                      | 3,000                                 | 205,529                                     |
| 13,281                               | 690,366                                     | 10,380                   | 8,584                         | 1,487,444                            | -                              | 3,000                      | 3,000                                 | 1,490,444                                   |
| -                                    | -   | -                        | -                             | -                                    | -                              | -                          | -                                     | -   |
| -                                    | -   | -                        | -                             | 317,753                              | -                              | -                          | -                                     | 317,753                                     |
| -                                    | -   | 7,985                    | -                             | 147,706                              | -                              | -                          | -                                     | 147,706                                     |
| -                                    | -   | -                        | -                             | 103,775                              | 454,197                        | -                          | 454,197                               | 557,972                                     |
| -                                    | -   | (7,985)                  | -                             | (569,234)                            | (454,197)                      | -                          | (454,197)                             | (1,023,431)                                 |
| 13,281                               | 690,366                                     | 2,395                    | 8,584                         | 918,210                              | (454,197)                      | 3,000                      | (451,197)                             | 467,013                                     |
| -                                    | (350,000)                                   | -                        | -                             | (350,000)                            | -                              | -                          | -                                     | (350,000)                                   |
| -                                    | (350,000)                                   | -                        | -                             | (350,000)                            | -                              | -                          | -                                     | (350,000)                                   |
| 13,281                               | 340,366                                     | 2,395                    | 8,584                         | 568,210                              | (454,197)                      | 3,000                      | (451,197)                             | 117,013                                     |
| 70,406                               | 556,637                                     | 9,445                    | 65,990                        | 1,602,596                            | (29,974)                       | (28,829)                   | (58,803)                              | 1,543,793                                   |
| \$ 83,687                            | \$ 897,003                                  | \$ 11,840                | \$ 74,574                     | \$ 2,170,806                         | \$ (484,171)                   | \$ (25,829)                | \$ (510,000)                          | \$ 1,660,806                                |

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL  
NON-MAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2023  
CITY OF NEPTUNE BEACH, FLORIDA**

|  | <b>Police Education Fund</b> |                  |                           | <b>Variance With<br/>Final Budget<br/>Positive<br/>(Negative)</b> |
|--|------------------------------|------------------|---------------------------|---|
|  | <b>Budgeted Amounts</b>      |                  | <b>Actual<br/>Amounts</b> |   |
|  | <b>Original</b>              | <b>Final</b>     |                           |   |
| <b>Revenues</b>  |                              |                  |                           |   |
| Fines and Forfeitures  | \$ 20,000                    | \$ 20,000        | \$ 2,442                  | \$ (17,558)   |
| <b>Total Revenues</b>  | <u>20,000</u>                | <u>20,000</u>    | <u>2,442</u>              | <u>(17,558)</u>   |
| <b>Expenditures</b>  |                              |                  |                           |   |
| Current:   |                              |                  |                           |   |
| Public Safety  | 4,150                        | 4,150            | -                         | 4,150   |
| <b>(Total Expenditures)</b>  | <u>(4,150)</u>               | <u>(4,150)</u>   | <u>-</u>                  | <u>4,150</u>  |
| <b>Excess (Deficiency) of Revenues Over<br/>(Under) Expenditures</b> | 15,850                       | 15,850           | 2,442                     | (13,408)  |
| <b>Fund Balances, Beginning of Year</b>                              | <u>-</u>                     | <u>-</u>         | <u>23,848</u>             | <u>23,848</u>   |
| <b>Fund Balances, End of Year</b>                                    | <u>\$ 15,850</u>             | <u>\$ 15,850</u> | <u>\$ 26,290</u>          | <u>\$ 10,440</u>  |

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL  
NON-MAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2023  
CITY OF NEPTUNE BEACH, FLORIDA**

|  | <b>Community Development Block Grant Fund</b> |                  |                           |   |
|--|---|------------------|---------------------------|---|
|  | <b>Budgeted Amounts</b>                       |                  | <b>Actual<br/>Amounts</b> | <b>Variance With<br/>Final Budget<br/>Positive<br/>(Negative)</b> |
|  | <b>Original</b>                               | <b>Final</b>     |                           |   |
| <b>Revenues</b>  |   |                  |                           |   |
| Intergovernmental Revenue  | \$ 48,000                                     | \$ 48,000        | \$ 39,053                 | \$ (8,947)  |
| Charges for Services   | 72,660  | 72,660           | 23,609                    | (49,051)  |
| Miscellaneous  | 11,500  | 11,500           | 183,565                   | 172,065   |
| <b>Total Revenues</b>  | <b>132,160</b>                                | <b>132,160</b>   | <b>246,227</b>            | <b>114,067</b>  |
| <b>Expenditures</b>  |   |                  |                           |   |
| Current:   |   |                  |                           |   |
| Culture and Recreation   | 197,160                                       | 197,160          | 134,146                   | 63,014  |
| <b>(Total Expenditures)</b>  | <b>(197,160)</b>                              | <b>(197,160)</b> | <b>(134,146)</b>          | <b>63,014</b>   |
| <b>Excess (Deficiency) of Revenues Over<br/>(Under) Expenditures</b> | <b>(65,000)</b>                               | <b>(65,000)</b>  | <b>112,081</b>            | <b>177,081</b>  |
| <b>Other Financing Sources (Uses)</b>                                |   |                  |                           |   |
| Transfers In   | 65,000  | 65,000           | -                         | (65,000)  |
| <b>Total Other Financing Sources (Uses)</b>                          | <b>65,000</b>                                 | <b>65,000</b>    | <b>-</b>                  | <b>(65,000)</b>   |
| <b>Net Change in Fund Balance</b>                                    | <b>-</b>                                      | <b>-</b>         | <b>112,081</b>            | <b>112,081</b>  |
| <b>Fund Balances, Beginning of Year</b>                              | <b>-</b>                                      | <b>-</b>         | <b>167,243</b>            | <b>167,243</b>  |
| <b>Fund Balances, End of Year</b>                                    | <b>\$ -</b>                                   | <b>\$ -</b>      | <b>\$ 279,324</b>         | <b>\$ 279,324</b>   |

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL  
NON-MAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2023  
CITY OF NEPTUNE BEACH, FLORIDA**

|  | <b>Convention Development Tax Fund</b> |                 |                           | <b>Variance With<br/>Final Budget<br/>Positive<br/>(Negative)</b> |
|--|--|-----------------|---------------------------|---|
|  | <b>Budgeted Amounts</b>                |                 | <b>Actual<br/>Amounts</b> |   |
|  | <b>Original</b>                        | <b>Final</b>    |                           |   |
| <b>Revenues</b>  |  |                 |                           |   |
| Taxes  | \$ 28,000                              | \$ 28,000       | \$ 10,227                 | \$ (17,773)   |
| Investment Income  | 40                                     | 40              | -                         | (40)  |
| <b>Total Revenues</b>  | <u>28,040</u>                          | <u>28,040</u>   | <u>10,227</u>             | <u>(17,813)</u>   |
| <b>Expenditures</b>  |  |                 |                           |   |
| Current:   |  |                 |                           |   |
| Culture and Recreation   | 28,040                                 | 28,040          | 9,350                     | 18,690  |
| <b>(Total Expenditures)</b>  | <u>(28,040)</u>                        | <u>(28,040)</u> | <u>(9,350)</u>            | <u>18,690</u>   |
| <b>Excess (Deficiency) of Revenues Over<br/>(Under) Expenditures</b> | -                                      | -               | 877                       | 877   |
| <b>Fund Balances, Beginning of Year</b>                              | -                                      | -               | 96,346                    | 96,346  |
| <b>Fund Balances, End of Year</b>                                    | <u>\$ -</u>                            | <u>\$ -</u>     | <u>\$ 97,223</u>          | <u>\$ 97,223</u>  |

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL  
NON-MAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2023  
CITY OF NEPTUNE BEACH, FLORIDA**

|  | <b>Forfeiture Proceeds Fund</b> |              |                           | <b>Variance With<br/>Final Budget<br/>Positive<br/>(Negative)</b> |
|--|---------------------------------|--------------|---------------------------|---|
|  | <b>Budgeted Amounts</b>         |              | <b>Actual<br/>Amounts</b> |   |
|  | <b>Original</b>                 | <b>Final</b> |                           |   |
| <b>Revenues</b>  |                                 |              |                           |   |
| Fines and Forfeitures  | \$ 950                          | \$ 950       | \$ 27,709                 | \$ 26,759   |
| Investment Income  | 2                               | 2            | -                         | (2)   |
| <b>Total Revenues</b>  | <u>952</u>                      | <u>952</u>   | <u>27,709</u>             | <u>26,757</u>   |
| <b>Expenditures</b>  |                                 |              |                           |   |
| Current:   |                                 |              |                           |   |
| Public Safety  | 952                             | 952          | -                         | 952   |
| <b>(Total Expenditures)</b>  | <u>(952)</u>                    | <u>(952)</u> | <u>-</u>                  | <u>952</u>  |
| <b>Excess (Deficiency) of Revenues Over<br/>(Under) Expenditures</b> | -                               | -            | 27,709                    | 27,709  |
| <b>Fund Balances, Beginning of Year</b>                              | <u>-</u>                        | <u>-</u>     | <u>5,628</u>              | <u>5,628</u>  |
| <b>Fund Balances, End of Year</b>                                    | <u>\$ -</u>                     | <u>\$ -</u>  | <u>\$ 33,337</u>          | <u>\$ 33,337</u>  |

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL  
NON-MAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2023  
CITY OF NEPTUNE BEACH, FLORIDA**

|  | <b>Street Improvement Fund</b> |                 |                           | <b>Variance With<br/>Final Budget<br/>Positive<br/>(Negative)</b> |
|--|--------------------------------|-----------------|---------------------------|---|
|  | <b>Budgeted Amounts</b>        |                 | <b>Actual<br/>Amounts</b> |   |
|  | <b>Original</b>                | <b>Final</b>    |                           |   |
| <b>Revenues</b>  |                                |                 |                           |   |
| Intergovernmental Revenue  | \$ 60,000                      | \$ 60,000       | \$ 84,698                 | \$ 24,698   |
| <b>Total Revenues</b>  | <u>60,000</u>                  | <u>60,000</u>   | <u>84,698</u>             | <u>24,698</u>   |
| <b>Expenditures</b>  |                                |                 |                           |   |
| Current:   |                                |                 |                           |   |
| Public Works   | 60,000                         | 60,000          | 164,300                   | (104,300)   |
| <b>(Total Expenditures)</b>  | <u>(60,000)</u>                | <u>(60,000)</u> | <u>(164,300)</u>          | <u>(104,300)</u>  |
| <b>Excess (Deficiency) of Revenues Over<br/>(Under) Expenditures</b> | -                              | -               | (79,602)                  | (79,602)  |
| <b>Fund Balances, Beginning of Year</b>                              | -                              | -               | 559,340                   | 559,340   |
| <b>Fund Balances, End of Year</b>                                    | <u>\$ -</u>                    | <u>\$ -</u>     | <u>\$ 479,738</u>         | <u>\$ 479,738</u>   |

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL  
NON-MAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2023  
CITY OF NEPTUNE BEACH, FLORIDA**

|  | <u>Local Option Gas Tax Fund</u> |                  |                           | <b>Variance With<br/>Final Budget<br/>Positive<br/>(Negative)</b> |
|--|----------------------------------|------------------|---------------------------|---|
|  | <u>Budgeted Amounts</u>          |                  | <u>Actual<br/>Amounts</u> |   |
|  | <u>Original</u>                  | <u>Final</u>     |                           |   |
| <b>Revenues</b>  |                                  |                  |                           |   |
| Taxes  | \$ 360,000                       | \$ 360,000       | \$ 393,530                | \$ 33,530   |
| <b>Total Revenues</b>  | <u>360,000</u>                   | <u>360,000</u>   | <u>393,530</u>            | <u>33,530</u>   |
| <b>Expenditures</b>  |                                  |                  |                           |   |
| Current:   |                                  |                  |                           |   |
| Public Works   | 357,380                          | 357,380          | 253,453                   | 103,927   |
| <b>(Total Expenditures)</b>  | <u>(357,380)</u>                 | <u>(357,380)</u> | <u>(253,453)</u>          | <u>103,927</u>  |
| <b>Excess (Deficiency) of Revenues Over<br/>(Under) Expenditures</b> | 2,620                            | 2,620            | 140,077                   | 137,457   |
| <b>Fund Balances, Beginning of Year</b>                              | <u>-</u>                         | <u>-</u>         | <u>47,713</u>             | <u>47,713</u>   |
| <b>Fund Balances, End of Year</b>                                    | <u>\$ 2,620</u>                  | <u>\$ 2,620</u>  | <u>\$ 187,790</u>         | <u>\$ 185,170</u>   |

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL  
NON-MAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2023  
CITY OF NEPTUNE BEACH, FLORIDA**

|  | <b>Better Jacksonville Half-Cent Fund</b> |                  |                           | <b>Variance With<br/>Final Budget<br/>Positive<br/>(Negative)</b> |
|--|---|------------------|---------------------------|---|
|  | <b>Budgeted Amounts</b>                   |                  | <b>Actual<br/>Amounts</b> |   |
|  | <b>Original</b>                           | <b>Final</b>     |                           |   |
| <b>Revenues</b>  |   |                  |                           |   |
| Taxes  | \$ 498,000                                | \$ 498,000       | \$ 690,366                | \$ 192,366  |
| <b>Total Revenues</b>  | <u>498,000</u>                            | <u>498,000</u>   | <u>690,366</u>            | <u>192,366</u>  |
| <b>Excess (Deficiency) of Revenues Over<br/>(Under) Expenditures</b> | <u>498,000</u>                            | <u>498,000</u>   | <u>690,366</u>            | <u>192,366</u>  |
| <b>Other Financing Sources (Uses)</b>                                |   |                  |                           |   |
| Transfers (Out)  | (498,000)                                 | (498,000)        | (350,000)                 | 148,000   |
| <b>Total Other Financing Sources (Uses)</b>                          | <u>(498,000)</u>                          | <u>(498,000)</u> | <u>(350,000)</u>          | <u>148,000</u>  |
| <b>Net Change in Fund Balance</b>                                    | -   | -                | 340,366                   | 340,366   |
| <b>Fund Balances, Beginning of Year</b>                              | <u>-</u>                                  | <u>-</u>         | <u>556,637</u>            | <u>556,637</u>  |
| <b>Fund Balances, End of Year</b>                                    | <u>\$ -</u>                               | <u>\$ -</u>      | <u>\$ 897,003</u>         | <u>897,003</u>  |

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL  
NON-MAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2023  
CITY OF NEPTUNE BEACH, FLORIDA**

|  | <b>Radio Communication Fund</b> |                 |                           | <b>Variance With<br/>Final Budget<br/>Positive<br/>(Negative)</b> |
|--|---------------------------------|-----------------|---------------------------|---|
|  | <b>Budgeted Amounts</b>         |                 | <b>Actual<br/>Amounts</b> |   |
|  | <b>Original</b>                 | <b>Final</b>    |                           |   |
| <b>Revenues</b>  |                                 |                 |                           |   |
| Fines and Forfeiture   | \$ 13,000                       | \$ 13,000       | \$ 13,281                 | \$ 281  |
| Investment Income  | 12                              | 12              | -                         | (12)  |
| <b>Total Revenues</b>  | <u>13,012</u>                   | <u>13,012</u>   | <u>13,281</u>             | <u>269</u>  |
| <b>Expenditures</b>  |                                 |                 |                           |   |
| Current:   |                                 |                 |                           |   |
| Public Safety  | 13,000                          | 13,000          | -                         | 13,000  |
| <b>(Total Expenditures)</b>  | <u>(13,000)</u>                 | <u>(13,000)</u> | <u>-</u>                  | <u>13,000</u>   |
| <b>Excess (Deficiency) of Revenues Over<br/>(Under) Expenditures</b> | 12                              | 12              | 13,281                    | 13,269  |
| <b>Fund Balances, Beginning of Year</b>                              | <u>-</u>                        | <u>-</u>        | <u>70,406</u>             | <u>70,406</u>   |
| <b>Fund Balances, End of Year</b>                                    | <u>\$ 12</u>                    | <u>\$ 12</u>    | <u>\$ 83,687</u>          | <u>\$ 83,675</u>  |

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL  
NON-MAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2023  
CITY OF NEPTUNE BEACH, FLORIDA**

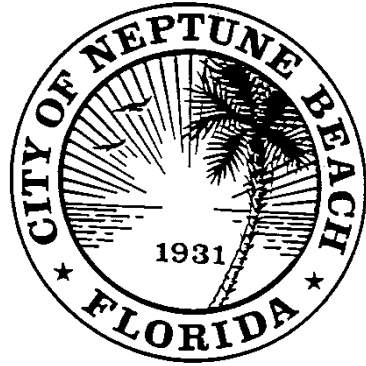
|  | <b>Holiday Décor Fund</b> |                 |                           | <b>Variance With<br/>Final Budget<br/>Positive<br/>(Negative)</b> |
|--|---------------------------|-----------------|---------------------------|---|
|  | <b>Budgeted Amounts</b>   |                 | <b>Actual<br/>Amounts</b> |   |
|  | <b>Original</b>           | <b>Final</b>    |                           |   |
| <b>Revenues</b>  |                           |                 |                           |   |
| Miscellaneous  | \$ 8,000                  | \$ 8,000        | \$ 10,380                 | \$ 2,380  |
| <b>Total Revenues</b>  | <u>8,000</u>              | <u>8,000</u>    | <u>10,380</u>             | <u>2,380</u>  |
| <b>Expenditures</b>  |                           |                 |                           |   |
| Current:   |                           |                 |                           |   |
| Culture and Recreation   | 10,500                    | 10,500          | 7,985                     | 2,515   |
| <b>(Total Expenditures)</b>  | <u>(10,500)</u>           | <u>(10,500)</u> | <u>(7,985)</u>            | <u>2,515</u>  |
| <b>Excess (Deficiency) of Revenues Over<br/>(Under) Expenditures</b> | <u>(2,500)</u>            | <u>(2,500)</u>  | <u>2,395</u>              | <u>4,895</u>  |
| <b>Other Financing Sources (Uses)</b>                                |                           |                 |                           |   |
| Transfers in   | 2,500                     | 2,500           | -                         | (2,500)   |
| <b>Total Other Financing Sources (Uses)</b>                          | <u>2,500</u>              | <u>2,500</u>    | <u>-</u>                  | <u>(2,500)</u>  |
| <b>Net Change in Fund Balance</b>                                    | -                         | -               | 2,395                     | 2,395   |
| <b>Fund Balances, Beginning of Year</b>                              | -                         | -               | 9,445                     | 9,445   |
| <b>Fund Balances, End of Year</b>                                    | <u>\$ -</u>               | <u>\$ -</u>     | <u>\$ 11,840</u>          | <u>\$ 11,840</u>  |

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL  
NON-MAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2023  
CITY OF NEPTUNE BEACH, FLORIDA**

|  | <u>Capital Improvement Fund</u> |              |                           | <b>Variance With<br/>Final Budget<br/>Positive<br/>(Negative)</b> |
|--|---------------------------------|--------------|---------------------------|---|
|  | <u>Budgeted Amounts</u>         |              | <u>Actual<br/>Amounts</u> |   |
|  | <u>Original</u>                 | <u>Final</u> |                           |   |
| <b>Expenditures</b>  |                                 |              |                           |   |
| Capital Outlay   | \$ -                            | \$ -         | \$ 454,197                | \$ (454,197)  |
| <b>(Total Expenditures)</b>  | <u>-</u>                        | <u>-</u>     | <u>(454,197)</u>          | <u>(454,197)</u>  |
| <b>Excess (Deficiency) of Revenues Over<br/>(Under) Expenditures</b> | <u>-</u>                        | <u>-</u>     | <u>(454,197)</u>          | <u>(454,197)</u>  |
| <b>Other Financing Sources (Uses)</b>                                |                                 |              |                           |   |
| Transfers In   | -                               | -            | -                         | -   |
| <b>Total Other Financing Sources (Uses)</b>                          | <u>-</u>                        | <u>-</u>     | <u>-</u>                  | <u>-</u>  |
| <b>Net Change in Fund Balance</b>                                    | -                               | -            | (454,197)                 | (454,197)   |
| <b>Fund Balances, Beginning of Year</b>                              | <u>-</u>                        | <u>-</u>     | <u>(29,974)</u>           | <u>(168,474)</u>  |
| <b>Fund Balances, End of Year</b>                                    | <u>\$ -</u>                     | <u>\$ -</u>  | <u>\$ (484,171)</u>       | <u>\$ (622,671)</u>   |

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
 FUND BALANCES - BUDGET AND ACTUAL  
 NON-MAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2023  
 CITY OF NEPTUNE BEACH, FLORIDA**

|  | Jarboe Park CIP Fund |             |                    | Variance With<br>Final Budget<br>Positive<br>(Negative) |
|--|----------------------|-------------|--------------------|---|
|  | Budgeted Amounts     |             | Actual<br>Amounts  |   |
|  | Original             | Final       |                    |   |
| <b>Revenues</b>  |                      |             |                    |   |
| Miscellaneous  | \$ -                 | \$ -        | \$ 3,000           | \$ 3,000  |
| <b>Total Revenues</b>  | <u>-</u>             | <u>-</u>    | <u>3,000</u>       | <u>3,000</u>  |
| <b>Expenditures</b>  |                      |             |                    |   |
| Current:   |                      |             |                    |   |
| Capital Outlay   | -                    | -           | -                  | -   |
| <b>(Total Expenditures)</b>  | <u>-</u>             | <u>-</u>    | <u>-</u>           | <u>-</u>  |
| <b>Excess (Deficiency) of Revenues Over<br/>(Under) Expenditures</b> | -                    | -           | 3,000              | 3,000   |
| <b>Fund Balances, Beginning of Year</b>                              | <u>-</u>             | <u>-</u>    | <u>(28,829)</u>    | <u>(28,829)</u>   |
| <b>Fund Balances, End of Year</b>                                    | <u>\$ -</u>          | <u>\$ -</u> | <u>\$ (25,829)</u> | <u>\$ (25,829)</u>                                      |



## Other Reports

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Annual Financial Report

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

**CITY OF NEPTUNE BEACH, FLORIDA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

| Federal Grantor/Pass-Through Grantor/<br>Grant Program  | Assistance<br>Listing<br>Number | Grant ID<br>Number | Expenditures        |
|---|---------------------------------|--------------------|---------------------|
| <b>Federal Awards</b>                                   |                                 |                    |                     |
| <b>U.S. Department of Treasury</b>                      |                                 |                    |                     |
| Passed Through Florida Division of Emergency Management |                                 |                    |                     |
| COVID-19 American Rescue Plan                           |                                 |                    |                     |
| Coronavirus State and Local Fiscal Recovery Funds       | 21.027                          | Y5225              | \$ 3,188,024        |
| <b>Total U.S. Department of Treasury</b>                |                                 |                    | <u>3,188,024</u>    |
| <b>Total Federal Expenditures</b>                       |                                 |                    | <u>\$ 3,188,024</u> |

**CITY OF NEPTUNE BEACH, FLORIDA  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

**Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) is presented on the modified accrual basis of accounting.

**Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the modified 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.

The City of Neptune Beach, Florida did not elect to use the 10% de minimis indirect cost rate in Section 200.414, Indirect (F&A) Costs, of the Uniform Guidance.

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

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

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

We have audited the City of Neptune 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 City’s major federal programs for the year ended September 30, 2023. The City’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

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, 2023.

### **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; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor’s 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.

## CERTIFIED PUBLIC ACCOUNTANTS

Gainesville | Ocala | Tallahassee | Sarasota | Orlando | Tampa

[purvisgray.com](http://purvisgray.com)

Members of American and Florida Institutes of Certified Public Accountants

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

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

**Auditor's Responsibilities for the Audit of Compliance**

Our objectives are to obtain reasonable assurance about whether material non-compliance 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 generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material non-compliance when it exists. The risk of not detecting material non-compliance 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. Non-compliance 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 generally accepted auditing standards, *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 non-compliance, 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 Auditor's 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. However, as discussed below, we did identify a certain deficiency in internal control over compliance that we consider to be a material weakness.

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

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

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, non-compliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material non-compliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2023-03 to be a material weakness.

*A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our 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 findings identified in our compliance 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.

*Purvis Gray*

June 20, 2025  
Gainesville, Florida

**CITY OF NEPTUNE BEACH, FLORIDA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS -  
FEDERAL AWARDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

**Section I – Summary of Auditor’s Results**

**Financial Statements**

1. The independent auditor’s report expresses a disclaimer of opinion on the financial statements of the City of Neptune Beach, Florida (the City).
2. The audit disclosed material weaknesses and significant deficiencies 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*.
3. The audit disclosed instances of non-compliance identified during the audit of the financial statements reported in the report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with *Government Auditing Standards*.

**Federal Awards**

4. The audit disclosed a material weakness in internal control over federal major programs that is required to be reported in the schedule of findings and questioned costs.
5. The report on compliance for the major federal programs expresses an unmodified opinion.
6. The audit disclosed findings relative to the major federal programs that are required to be reported in accordance with the Uniform Guidance.
7. The programs tested as a major federal program included:

| <b>Federal Programs</b>                           | <b>Assistance<br/>Listing No.</b> |
|---|-----------------------------------|
| Coronavirus State and Local Fiscal Recovery Funds | 21.027                            |

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

**Financial Statement Findings**

Financial statement findings are reported in the Independent Auditor’s Report on Internal Control Over Financial Reporting and Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.

**Findings and Questioned Costs for Major Federal Programs**

Single audit findings are reported in the Independent Auditor’s Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance.

**CITY OF NEPTUNE BEACH, FLORIDA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS -**  
**FEDERAL AWARDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2023**

**Section II – Financial Statement Findings**

**2023-01 – Financial Close and Reporting**

**Condition**—During the year, the City experienced unexpected turnover in the finance department. When unexpected turnover of key personnel in a small organization such as the City occurs, there is significant loss of institutional knowledge as well as a lack of familiarity with the activity being audited. The City is also unable to provide accurate financial data throughout the year for management and elected officials. As a result, completion of audit testing was significantly delayed because the trial balance provided for the audit required significant adjustments to complete the financial close for the year. During final fieldwork, we identified several areas that required audit adjustments to correct the City’s accounting records. The following audit adjustments were material to the financial statements:

- Reduce pooled cash in the General Fund by approximately \$309,000, reduce pooled cash in the Water and Sewer Fund by approximately \$442,000, increase pooled cash in the Sanitation Fund by approximately \$236,000, increase pooled cash in the Stormwater Fund by approximately \$754,000, and reduce pooled cash in Non-Major Funds by approximately \$240,000.
- Record approximately \$386,000 of capital additions in Governmental Activities and \$169,000 of capital additions in the Water and Sewer Fund.
- Remove revenues and add deferred inflows of approximately \$308,000 in the General Fund for funds that were receivable but not available within 60 days of year-end.
- Record approximately \$1,020,000 of unposted investment activity in the Police Officers’ Pension Fund.
- Reverse prior year unbilled revenues of about \$265,000 in the Water and Sewer Fund and \$79,000 in the Sanitation Fund.
- Remove approximately \$74,000 of unbilled revenues in the Stormwater Fund.
- Remove approximately \$183,000 of ad valorem revenues in the General Fund that had been double posted.
- Remove approximately \$384,000 of accrued compensated absences and payroll expenditures from the general fund, since compensated absences are not to be recorded at the fund level in governmental funds.
- Prior period adjustment in the General Fund to decrease beginning equity and increase deferred inflows by approximately \$258,260 for Lifeguard funds that were earned in fiscal year 2022 but not received until fiscal year 2024.
- Prior period adjustment in the Stormwater Fund to increase beginning equity and decrease revenue by approximately \$245,000 for grant funds received in fiscal year 2023 that should have been recorded as revenues and receivables in fiscal year 2022.
- Record interfund transfers of approximately \$498,000 out of Non-Major Funds and into the General Fund, and approximately \$442,000 out of the Water and Sewer Fund and into the Stormwater Fund.

**Effects**—As a result, the audit was not completed by the statutory due date of June 30, 2024, and the City’s financial statements would have been materially misstated if adjustments noted above had not been identified during the audit process.

**CITY OF NEPTUNE BEACH, FLORIDA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS -**  
**FEDERAL AWARDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2023**

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

**2023-02 – Cash Reconciliation**

**Condition**—Timely and accurate bank reconciliations prepared and reviewed by personnel who are independent of the cashing function are a key financial control. Although the cash reconciliations were performed, there was no documentation indicating proper review and approval of the reconciliations.

Additionally, we noted that the new accounting system will allow entries to be made that change accounts for the total cash in bank, the total equity in pooled cash, and/or the total fund-level claims on cash by different amounts. There were no controls noted as part of the cash reconciliation process or otherwise that would prevent or detect and correct such imbalances in pooled cash.

**Effect**—Without timely completion or proper review and approval of bank reconciliations there is a greater risk that material errors or fraudulent transactions would go undetected. Additionally, a lack of controls monitoring and maintaining the proper balance of the pooled cash process led to significant imbalances between recorded amounts of cash in bank, equity in pooled cash, and the various funds' claims on pooled cash that are not prevented or detected and corrected in a timely manner.

**Recommendation**—We recommend that the City evaluate its bank reconciliation process to ensure that bank reconciliations are regularly completed and reviewed each month for the previous month's activity and that any identified discrepancies are properly investigated and corrected. We also recommend that controls be implemented that prevent or detect and correct imbalances in pooled cash.

**2023-03 – Approval of Payroll Reports**

**Condition**—One of the City's key controls over payroll is for the Chief Financial Officer (CFO) to review the payroll bank transfer against the payroll register to ensure what was drawn from the bank matches the payroll reports for each pay period and to sign the reports to document this review and approval. During our testing of payroll controls we noted 18 out of 26 pay periods for which there was no signature on the payroll reports documenting this review took place. Additionally, for 30 out of 40 paychecks tested, documentation of proper approval of pay rates could not be located. Finally, for 3 out of 40 paychecks tested, documentation of proper approval of timesheets could not be located.

**Effect**—Although we did not note any actual discrepancies in payroll batch totals, pay rates or timecard hours, a lack of a review of payroll documentation could result in erroneous or fraudulent payments that are not prevented or detected and corrected on a timely basis.

Since this process is also significant to the single audit major program, this finding is applied to internal control over compliance for the major program, under the Uniform Guidance, as well as internal control over financial reporting in accordance with *Government Auditing Standards*.

**CITY OF NEPTUNE BEACH, FLORIDA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS -**  
**FEDERAL AWARDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2023**

**Recommendation**—We recommend that the payroll approval process be followed for all pay periods and that contingencies be established to determine a backup reviewer for each payroll control in the event that the primary reviewer is unavailable to review a particular pay period.

**2023-04 – Lack of Approval of Manual Journal Entries**

**Condition**—The City’s policy is to document review and approval of manual journal entries in a log that is signed by the person proposing the entry and the person approving the entry. However, the new finance staff could not locate this log for any of the manual journal entries posted to fiscal year 2023. Because of this, there is no documented evidence that the manual journal entries were properly reviewed and approved.

**Effect**—Lack of a review of manual journal entries could result in erroneous or fraudulent entries that are not prevented or detected and corrected on a timely basis.

**Recommendation**—We recommend that all manual journal entries be reviewed by someone in management other than the person who created the entry prior to it being posted to the general ledger. We also recommend that this documentation be retained in a manner that is easy to locate and retrieve for audit documentation.

**2023-05 – Clearing Fund**

**Condition**—During the audit, we noted that the clearing fund within the General Fund contains liability accounts with a net debit (negative liability) balance of about \$86,000. The clearing fund also contains a cash balance of negative \$86,000. To date, the City has not been able to determine the cause of these negative balances or the appropriate corrective adjustments.

**Effect**—Significant unexplained balances in the clearing fund could indicate a misstatement of cash, liabilities, revenues, expenditures, or some combination of these.

**Recommendation**—We recommend the City investigate the cause of these negative balances to determine if they are indicative of material misstatements. We also recommend that clearing accounts be reconciled on a monthly basis and that significant unknown reconciling items be investigated in a timely manner.

**2023-06 – Lack of Approval of Disbursements**

**Condition**—Two of the City’s key controls over the regular cash disbursements process are to require prior purchase authorization for purchases that meet certain dollar thresholds and/or other qualitative criteria and for the CFO or City Manager to document approval of disbursement batches prior to funds being disbursed. Out of a sample of 40 disbursements tested, 10 disbursements met the City’s criteria requiring prior purchase authorization. However, documentation of that prior authorization could not be located for any of those 10 disbursements. Additionally, we noted 34 out of 40 disbursements tested for which the CFO or City Manager’s approval of the disbursement batch could not be located.

**CITY OF NEPTUNE BEACH, FLORIDA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS -**  
**FEDERAL AWARDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2023**

**Effect**—Although our test of controls did not note any disbursements that were inappropriate or incorrectly recorded, a lack of proper purchase approval and/or disbursement approval could result in erroneous or fraudulent disbursements that are not prevented or detected and corrected on a timely basis.

**Recommendation**—We recommend that the City’s disbursement approval processes be consistently followed for all disbursements.

**2023-07 – Excess Miscellaneous Revenues**

**Condition**—Due to unexpected turnover in the City’s finance department during the year, several large closing entries had to be posted by the City to correct materially misstated balances in the General Fund. Because the appropriate offsetting accounts for these entries could not be determined, the entries were offset by increasing General Fund miscellaneous revenues by about \$400,000.

**Effect**—The General Fund continues to report approximately \$400,000 of excess miscellaneous revenues which have not been identified as to source or that they are in fact revenues or associated with activities that should be reported in the General Fund. Since neither the cause of the excess miscellaneous revenues reported in the General Fund nor the other funds that may be affected by the excess revenues could be determined, we were unable to form opinions on the General Fund or the Water/Sewer fund.

**Recommendation**—We recognize the difficulty identifying, hiring, and retaining qualified accounting personnel in the current marketplace. It is our recommendation that these vacancies be filled as quickly as possible when they occur, the City implement policies and procedures aimed at reducing turnover, and improve training manuals and documentation of procedures to ensure that daily financial transactions are properly recorded during times of turnover in the finance department.

**2023-08 – Capital Assets**

**Condition**—The City manually tracks capital asset additions, disposals, and depreciation outside of the accounting general ledger and then manually posts entries to the general ledger to reflect the capital asset activity. During our audit we noted several amounts recorded as capital outlay expenditures on the general ledger were significantly different than capital additions in governmental and enterprise funds. In some cases, capital outlay was recorded, but the related addition was not capitalized on the balance sheet. In other cases, additions were capitalized, but the fund level expense was recorded to another expenditure account instead of capital outlay (such as repairs and maintenance or professional services).

**Effect**—Significant time was spent adjusting and reconciling capital outlays and capital additions in the general ledger to each other and to the manual capital asset subsidiary ledgers. Additionally, the City’s financial statements would have been materially misstated if the related adjustments had not been identified during the audit process.

**Recommendation**—We recommend that the City regularly reconcile activity in the manual capital asset ledger to the accounting general ledger.

**CITY OF NEPTUNE BEACH, FLORIDA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS -**  
**FEDERAL AWARDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2023**

**2023-09 – Audit Submission**

**Condition**—Chapter 185, Florida Statutes, requires municipal police pension plans to submit audited financial statements for each fiscal year to the Florida Division of Retirement (the Division) in a timely manner, prior to the disbursement of premium tax funds to the plan. Chapter 218, Florida Statutes, requires local governmental entities to provide audited financial statements for each fiscal year to the Auditor General no later than 9 months after the end of the fiscal year. Delays in closing the fiscal year 2023 financial year led to the audit not being completed in time for compliance with these requirements.

**Effect**—The Division has withheld premium tax funds from the City’s Police Pension Plan for fiscal year 2023 for failure to comply with this requirement. The City also failed to comply with the requirement to submit audited financial statements to the Auditor General within 9 months of the end of the fiscal year.

**Recommendation**—We recommend the City review its financial close and reporting processes to ensure the audit can be completed in time for all required submissions.

**2023-10 – Budgetary Compliance**

**Condition**—During our testing of budgetary compliance, we noted over-expenditures of budget amounting to \$1,200 in the Mayor and Council Department of the General Fund, \$100,065 in the Finance Department of the General Fund, \$12,783 in the City Attorney Department of the General Fund, \$185,491 in the Police Department of the General Fund, \$122,223 in the Public Works Department of the General Fund, \$1,543 in the Lifeguard/Beach Cleanup Department of the General Fund, \$104,300 in the Street Improvement Fund, and \$454,197 in the Capital Improvement Fund.

**Effect**—Expenditures exceeded the legally authorized level of spending for the departments and funds listed above.

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

**Section III – Federal Award Findings and Questioned Costs**

**2023-03 – Approval of Payroll Reports**

See full description of this finding in Section II – Financial Statement Findings

**Section IV – Summary Schedule of Prior Audit Findings**

- 2022-01** – Financial Close and Reporting – Repeat Finding 2023-01
- 2022-02** – Cash Reconciliation – Repeat Finding 2023-02
- 2022-03** – Approval of Payroll Reports – Repeat Finding 2023-03
- 2022-04** – Lack of Approval of Manual Journal Entries – Repeat Finding 2023-04
- 2022-05** – Clearing Fund – Repeat Finding 2023-05
- 2022-06** – Unrecorded Liabilities – Corrective Actions Were Taken
- 2022-07** – Excess Miscellaneous Revenues – Repeat Finding 2023-07
- 2022-08** – Audit Submission – Repeat Finding 2023-09
- 2022-09** – Budgetary Compliance – Repeat Finding 2023-10
- 2022-10** – Sanitation Fund Deficit (Management Letter Comment) – Repeat Finding 2023-11

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the financial statements of the sanitation fund; the stormwater utility fund; the paid parking fund, and the aggregate remaining fund information; and we were engaged to audit the governmental activities; the business-type activities; the general fund; and the water and sewer fund of the City of Neptune Beach, Florida (the City) as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements and have issued our report thereon dated June 20, 2025. Our report issues an unmodified report on the sanitation fund; the stormwater utility fund; the paid parking fund, and the aggregate remaining fund information and disclaims an opinion on the governmental activities; the business-type activities; the general fund; and the water and sewer fund because the City had insufficient accounting personnel and procedures to determine the correct offset for material correcting entries that were offset to miscellaneous revenues.

**Report on Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may

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**INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
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exist that were not identified. We identified certain deficiencies in internal control, described on the accompanying schedule of findings and questioned costs as 2023-01, 2023-02, 2023-03, 2023-04, 2023-05, 2023-06, 2023-07, and 2023-08 as items that we consider to be material weaknesses.

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of non-compliance or other matters, described on the accompanying schedule of findings and questioned costs as 2023-09 and 2023-10, that are required to be reported under *Government Auditing Standards*.

**Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on the City’s response to findings identified in our audit is described in its accompanying letter. The City’s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

**Purpose of this Report**

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

*Purvis Gray*

June 20, 2025  
Gainesville, Florida

## INDEPENDENT ACCOUNTANT’S REPORT ON COMPLIANCE WITH SECTION 218.415, FLORIDA STATUTES – INVESTMENT OF PUBLIC FUNDS

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

We have examined the City of Neptune Beach, Florida’s (the City) compliance with Section 218.415, Florida Statutes, during the fiscal year ended September 30, 2023. Management is responsible for the City’s compliance with those requirements. Our responsibility is to express an opinion on the City’s compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the City complied, in all material respects, with the requirements referenced above. An examination involves performing procedures to obtain evidence about whether the City complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material non-compliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

We are required to be independent and to meet our ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

Our examination does not provide a legal determination of the City’s compliance with specified requirements.

In our opinion, the City complied, in all material respects, with the aforementioned requirements during the fiscal year ended September 30, 2023.

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

*Purvis Gray*

June 20, 2025  
Gainesville, Florida

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## MANAGEMENT LETTER

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

### Report on the Financial Statements

We have audited the financial statements of the City of Neptune Beach, Florida (the City) as of and for the fiscal year ended September 30, 2023, and have issued our report thereon dated June 20, 2025.

### Auditor’s Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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 Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*; Independent Auditor’s Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance; Schedule of Findings and Questioned Costs; and Independent Accountant’s Report on an examination conducted in accordance with the American Institute of Certified Public Accountants *Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, *Rules of the Auditor General*. Disclosures in those reports and schedule, which are dated June 20, 2025, should be considered in conjunction with this management letter.

### Prior Audit Findings

Section 10.554(1)(i)1., *Rules of the Auditor General*, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding financial audit report. Corrective actions have been taken to address findings and recommendations made in the preceding financial audit report, except for the following:

| Current Year Finding # | 2021-2022 FY Finding # | 2020-2021 FY Finding # |
|------------------------|------------------------|------------------------|
| 2023-01                | 2022-01                | 2021-01                |
| 2023-02                | 2022-02                | 2021-02                |
| 2023-03                | 2022-03                | 2021-03                |
| 2023-04                | 2022-04                | 2021-04                |
| 2023-05                | 2022-05                | 2021-06                |
| 2023-07                | 2022-07                | N/A                    |
| 2022-09                | 2022-08                | 2021-08                |
| 2022-10                | 2022-09                | 2021-09                |

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City of Neptune Beach, Florida  
Neptune Beach, Florida

## MANAGEMENT LETTER

### Official Title and Legal Authority

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

### Financial Condition and Management

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

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

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

### 2023-11 – Sanitation Fund Deficit Cash Position

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

### Special District Component Units

Section 10.554(1)(i)5.c., *Rules of the Auditor General*, requires, if appropriate, that we communicate the failure of a special district that is a component unit of a county, municipality, or special district, to provide the financial information necessary for proper reporting of the component unit within the audited financial statements of the county, municipality, or special district in accordance with Section 218.39(3)(b), Florida Statutes. In connection with our audit, we determined that the City had no special district component units.

### Additional Matters

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

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

## MANAGEMENT LETTER

### **Purpose of this Letter**

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

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

*Purvis Gray*

June 20, 2025  
Gainesville, Florida

June 20, 2025

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

**RE: Response to Management Letter**

**2023-01 – Financial Close and Reporting**

**Condition**—During the year, the City experienced unexpected turnover in the finance department. When the unexpected turnover of key personnel in a small organization such as the City occurs, there is a significant loss of institutional knowledge as well as a lack of familiarity with the activity being audited. The City is also unable to provide accurate financial data throughout the year for management and elected officials. As a result, completion of audit testing was significantly delayed because the trial balance provided for the audit required significant adjustments to complete the financial close for the year. During final fieldwork, we identified several areas that required audit adjustments to correct the City's accounting records. The following audit adjustments were material to the financial statements:

- Reduce pooled cash in the General Fund by approximately \$309,000, reduce pooled cash in the Water and Sewer Fund by approximately \$442,000, increase pooled cash in the Sanitation Fund by approximately \$236,000, increase pooled cash in the Stormwater Fund by approximately \$754,000, and reduce pooled cash in Non-Major Funds by approximately \$240,000.
- Record approximately \$386,000 of capital additions in Governmental Activities and \$169,000 of capital additions in the Water and Sewer Fund.
- Remove revenues and add deferred inflows of approximately \$308,000 in the General Fund for funds that were receivable but not available within 60 days of year-end.
- Record approximately \$1,020,000 of unposted investment activity in the Police Officers' Pension Fund.
- Reverse prior year unbilled revenues of about \$265,000 in the Water and Sewer Fund and \$79,000 in the Sanitation Fund.
- Remove approximately \$74,000 of unbilled revenues in the Stormwater Fund.
- Remove approximately \$183,000 of ad valorem revenues in the General Fund that had been double posted.
- Remove approximately \$384,000 of accrued compensated absences and payroll expenditures from the general fund, since compensated absences are not to be recorded at the fund level in governmental funds.
- Prior period adjustment in the General Fund to decrease beginning equity and increase deferred inflows by approximately \$258,260 for Lifeguard funds that were earned in fiscal year 2022 but not received until fiscal year 2024.
- Prior period adjustment in the Stormwater Fund to increase beginning equity and decrease revenue by approximately \$245,000 for grant funds received in fiscal year 2023 that should have been recorded as revenues and receivables in fiscal year 2022.
- Record interfund transfers of approximately \$498,000 out of Non-Major Funds and into the General Fund, and approximately \$442,000 out of the Water and Sewer Fund and into the Stormwater Fund.

**Effect**—As a result, the audit was not completed by the statutory due date of June 30, 2024, and the City’s financial statements would have been materially misstated if adjustments noted above had not been identified during the audit process.

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

**Management Response to Comment 2023-01**

The City experienced several turnovers during fiscal year 2020-21, that included the Chief Financial Officer (CFO), Senior Accountant, and the payroll and accounts payable accountant, all long-tenured employees, which caused the loss of institutional knowledge. Eventually these positions were filled during fiscal year 2021-22 with the CFO position filled in the second quarter of FY 2022-23. However, the migration to a new TYLER-ERP system in the first quarter of FY 2022-23, the amount of backlogged work, and the lack of institutional knowledge caused major delays in processing financial information in a timely and accurate manner. The City understands the importance of continuity, uniformity, and control required and necessary to maintain an effective and efficient financial operation. To minimize future risks from a comparable situation happening again, the City has taken the opportunity to evaluate job roles, duties, responsibilities, and workflows to identify the overall operational needs are covered and to ensure an efficient and continue operation and minimize the impact in the case of turnover of key personnel. During the last quarter of FY 2022-23, management expanded the Finance Department by adding two new positions to ensure institutional knowledge is preserved and to better segregate duties and responsibilities to enhance/implement better internal controls. In addition, the Finance Department is in the process of reviewing and creating a policy and procedure manual to provide uniformity and better understanding on how to process business and financial transactions even when the department may experience unexpected loss of key personnel.

**2023-02 – Cash Reconciliation**

**Condition**—Timely and accurate bank reconciliations prepared and reviewed by personnel who are independent of the cashing function are a key financial control. Although the cash reconciliations were performed, there was no documentation indicating proper review and approval of the reconciliations.

Additionally, we noted that the new accounting system will allow entries to be made that change accounts for the total cash in bank, the total equity in pooled cash, and/or the total fund-level claims on cash by different amounts. There were no controls noted as part of the cash reconciliation process or otherwise that would prevent or detect and correct such imbalances in pooled cash.

**Effect**—Without timely completion or proper review and approval of bank reconciliations there is a greater risk that material errors or fraudulent transactions would go undetected. Additionally, a lack of controls monitoring and maintaining the proper balance of the pooled cash process led to significant imbalances between recorded amounts of cash in bank, equity in pooled cash, and the various funds’ claims on pooled cash that are not prevented or detected and corrected in a timely manner.

**Recommendation**—We recommend that the City evaluate its bank reconciliation process to ensure that bank reconciliations are regularly completed and reviewed each month for the previous month’s activity and that any identified discrepancies are properly investigated and corrected. We also recommend that controls be implemented that prevent or detect and correct imbalances in pooled cash.

**Management Response to Comment 2023-02**

Management agrees with the recommendation and recognizes that a monthly reconciliation process to review bank accounts to the general ledger is a crucial internal control element that helps identify discrepancy, provide a platform for investigation, and perform corrections timely. With the addition of a new accounting staff, management expect that monthly reconciliations and review of bank accounts to the general ledger will be performed on a timely basis as required. In addition, new policies and procedures are being reviewed and updated to ensure that monthly reconciliation of bank statements to the general ledger happens consistently and in a timely and accurate manner.

**2023-03 – Approval of Payroll Reports**

**Condition**—One of the City’s key controls over payroll is for the Chief Financial Officer (CFO) to review the payroll bank transfer against the payroll register to ensure what was drawn from the bank matches the payroll reports for each pay period and to sign the reports to document this review and approval. During our testing of payroll controls we noted 18 out of 26 pay periods for which there was no signature on the payroll reports documenting this review took place. Additionally, for 30 out of 40 paychecks tested, documentation of proper approval of pay rates could not be located. Finally, for 3 out of 40 paychecks tested, documentation of proper approval of timesheets could not be located.

**Effect**—Although we did not note any actual discrepancies in payroll batch totals, pay rates or timecard hours, a lack of a review of payroll documentation could result in erroneous or fraudulent payments that are not prevented or detected and corrected on a timely basis.

Since this process is also significant to the single audit major program, this finding is applied to internal control over compliance for the major program, under the Uniform Guidance, as well as internal control over financial reporting in accordance with *Government Auditing Standards*.

**Recommendation**—We recommend that the payroll approval process be followed for all pay periods and that contingencies be established to determine a backup reviewer for each payroll control in the event that the primary reviewer is unavailable to review a particular pay period.

**Management Response to Comment 2023-03**

Management agrees with the recommendation and recognizes that consistent review of the payroll processing is critical to minimize the risk of material mistakes that may lead to economic loss. On the last quarter of FY 2023-24, management acquired and deployed new payroll processing software and started to process payroll in the first period of FY 2023-24. In addition, new policies and procedures have been implemented to ensure that payroll reports are reviewed and approved by the CFO, delegated employee, or other City official in the event there is a gap in the Chief Financial Officer position

## **2023-04 – Lack of Approval of Manual Journal Entries**

**Condition**—The City’s policy is to document review and approval of manual journal entries in a log that is signed by the person proposing the entry and the person approving the entry. However, the new finance staff could not locate this log for any of the manual journal entries posted to fiscal year 2023. Because of this, there is no documented evidence that the manual journal entries were properly reviewed and approved.

**Effect**—Lack of a review of manual journal entries could result in erroneous or fraudulent entries that are not prevented or detected and corrected on a timely basis.

**Recommendation**—We recommend that all manual journal entries be reviewed by someone in management other than the person who created the entry prior to it being posted to the general ledger. We also recommend that this documentation be retained in a manner that is easy to locate and retrieve for audit documentation.

### **Management Response to Comment 2023-04**

Management agrees and understands the need to have someone review and post manual journal entries other than the person entering them. Management implemented a new Enterprise Resource Planning (ERP) system that eliminates the process of manual journal entries. The new system provides the ability to initiate the journal entry (JE) by one employee, attach supporting documentation, if required, and forward the JE to a senior employee for review and approval. New policies and procedures have been developed to document the process in the TYLER system. In addition, the system provides additional security features that provide access to employees depending on their rolls and assigned responsibilities.

## **2023-05 – Clearing Fund**

**Condition**—During the audit, we noted that the clearing fund within the General Fund contains liability accounts with a net debit (negative liability) balance of about \$86,000. The clearing fund also contains a cash balance of negative \$86,000. To date, the City has not been able to determine the cause of these negative balances or the appropriate corrective adjustments.

**Effect**—Significant unexplained balances in the clearing fund could indicate a misstatement of cash, liabilities, revenues, expenditures, or some combination of these.

**Recommendation**—We recommend the City investigate the cause of these negative balances to determine if they are indicative of material misstatements. We also recommend that clearing accounts be reconciled on a monthly basis and that significant unknown reconciling items be investigated in a timely manner.

### **Management Response to Comment 2023-05**

Management concurs with the recommendation and recognizes the importance of reconciling the clearing accounts every time the payroll process is completed. With the implementation of the new payroll and ERP systems, management believe the new systems will provide the finance department with the tools necessary to review and edit payroll journal entries before recording them in general ledger on each payroll.

## **2023-06 – Lack of Approval of Disbursements**

**Condition**—Two of the City’s key controls over the regular cash disbursements process are to require prior purchase authorization for purchases that meet certain dollar thresholds and/or other qualitative criteria and for the CFO or City Manager to document approval of disbursement batches prior to funds being disbursed. Out of a sample of 40 disbursements tested, 10 disbursements met the City’s criteria requiring prior purchase authorization. However, documentation of that prior authorization could not be located for any of those 10 disbursements. Additionally, we noted 34 out of 40 disbursements tested for which the CFO or City Manager’s approval of the disbursement batch could not be located.

**Effect**—Although our test of controls did not note any disbursements that were inappropriate or incorrectly recorded, a lack of proper purchase approval and/or disbursement approval could result in erroneous or fraudulent disbursements that are not prevented or detected and corrected on a timely basis.

**Recommendation**—We recommend that the City’s disbursement approval processes be consistently followed for all disbursements.

### **Management Response to Comment**

Management concurs with the recommendation and recognizes the impact the unrecorded liabilities have on the current and subsequent years. Management believes the implementation of a new ERP system and adding staff to the Finance Department will improve the year-end review process to aid in capturing expenses even when there is turnover in the accountant positions. In addition, a year-end schedule has been incorporated to ensure crucial steps are not omitted and may cause material mistakes.

## **2023-07 – Excess Miscellaneous Revenues**

**Condition**—Due to unexpected turnover in the City’s finance department during the year, several large closing entries had to be posted by the City to correct materially misstated balances in the General Fund. Because the appropriate offsetting accounts for these entries could not be determined, the entries were offset by increasing General Fund miscellaneous revenues by about \$400,000.

**Effect**—The General Fund continues to report approximately \$400,000 of excess miscellaneous revenues which have not been identified as to source or that they are in fact revenues or associated with activities that should be reported in the General Fund. Since neither the cause of the excess miscellaneous revenues reported in the General Fund nor the other funds that may be affected by the excess revenues could be determined, we were unable to form opinions on the General Fund or the Water/Sewer fund.

**Recommendation**—We recognize the difficulty identifying, hiring, and retaining qualified accounting personnel in the current marketplace. It is our recommendation that these vacancies be filled as quickly as possible when they occur, the City implement policies and procedures aimed at reducing turnover, and improve training manuals and documentation of procedures to ensure that daily financial transactions are properly recorded during times of turnover in the finance department.

**Management Response to Comment 2023-07**

Management agrees with the recommendation to fill vacancies as soon as possible when they occur. However, sometimes hiring qualified candidates takes longer than desired. Management also agrees that lacking proper policies and procedures may lead to the recording of financial transactions incorrectly that may create material mistakes. The finance department started to document on how to process financial transactions correctly for each category to avoid inconsistency.

**2023-08 – Capital Assets**

**Condition**—The City manually tracks capital asset additions, disposals, and depreciation outside of the accounting general ledger and then manually posts entries to the general ledger to reflect the capital asset activity. During our audit we noted several amounts recorded as capital outlay expenditures on the general ledger were significantly different than capital additions in governmental and enterprise funds. In some cases, capital outlay was recorded, but the related addition was not capitalized on the balance sheet. In other cases, additions were capitalized, but the fund level expense was recorded to another expenditure account instead of capital outlay (such as repairs and maintenance or professional services).

**Effect**—Significant time was spent adjusting and reconciling capital outlays and capital additions in the general ledger to each other and to the manual capital asset subsidiary ledgers. Additionally, the City's financial statements would have been materially misstated if the related adjustments had not been identified during the audit process.

**Recommendation**—We recommend that the City regularly reconcile activity in the manual capital asset ledger to the accounting general ledger.

**Management Response to Comment 2023-08**

Management concurs with the recommendation and recognizes the importance of process recording, disposals, and depreciation of capital assets timely and accurately to increase assurance that financial information is presented free from material misstatements. Due to the lack of accounting personnel and institutional knowledge during FYs 2020-21, 2021-22, & 2022-23, the process was not performed consistently, or not performed at all, causing the conditions mentioned above. Management is in the process of evaluating Fixed Asset Management Systems that will integrate with TYLER to automate the entire process of recording additions, calculating depreciation, and disposal of fixed assets on a regular basis.

**2023-09 – Audit Submission**

**Condition**—Chapter 185, Florida Statutes, requires municipal police pension plans to submit audited financial statements for each fiscal year to the Florida Division of Retirement (the Division) in a timely manner, prior to the disbursement of premium tax funds to the plan. Chapter 218, Florida Statutes, requires local governmental entities to provide audited financial statements for each fiscal year to the Auditor General no later than 9 months after the end of the fiscal year. Delays in closing the fiscal year 2023 financial year led to the audit not being completed in time for compliance with these requirements.

**Effect**—The Division has withheld premium tax funds from the City’s Police Pension Plan for fiscal year 2023 for failure to comply with this requirement. The City also failed to comply with the requirement to submit audited financial statements to the Auditor General within 9 months of the end of the fiscal year.

**Recommendation**—We recommend the City review its financial close and reporting processes to ensure the audit can be completed in time for all required submissions.

**Management Response to Comment 2023-09**

Management concurs with the recommendation and recognizes the impact of not reporting in a timely manner to ensure the premium tax funds are received by the plan. Management is implementing a plan to get the Accounting department to catch up on all financial reporting by hiring additional staff. In addition, the implementation of a new ERP system should make reporting to the auditors of the pension plan much easier. Management expects to complete the pending financial reports by May 30, 2025.

**2023-10 – Budgetary Compliance**

**Condition**—During our testing of budgetary compliance, we noted over-expenditures of budget amounting to \$1,200 in the Mayor and Council Department of the General Fund, \$100,065 in the Finance Department of the General Fund, \$12,783 in the City Attorney Department of the General Fund, \$185,491, in the Police Department of the General Fund, \$122,223 in the Public Works Department of the General Fund, \$1,543 in the Lifeguard/Beach Cleanup Department of the General Fund, \$104,300 in the Street Improvement Fund, and \$454,197 in the Capital Improvement Fund.

**Effect**—Expenditures exceeded the legally authorized level of spending for the departments and funds listed above.

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

**Management Response to Comment 2023-10**

Management concurs with the recommendation of budgetary compliance and recognizes the importance of monitoring the budget vs actual on a regular basis as a measure of internal control to avoid the expenditures exceeding the legally authorized spending levels. Since the CFO position and other accounting staff were vacant for most of the fiscal year, the regular budget review was not conducted accordingly, resulting in missing opportunities to stop departmental overspending or perform appropriate budget adjustments. The implementation of a new financial system and the addition of accounting personnel should provide the ability to perform budget vs actual analysis monthly and adjust accordingly to avoid spending over budgetary amounts.

**Management Response to Comment 2023-11**

The negative cash position in the Sanitation Fund will correct itself in FY2024 when an increase in sanitation rates goes into effect. In April 2024 the City increased rates from \$22.05 to \$38.08 per month. Prior to this increase in rates there had not been an increase since 2013.

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