

2021

City of Neptune Beach, Florida

Financial Statements and
Independent Auditor's Report

September 30, 2021

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

CITY OF NEPTUNE BEACH, FLORIDA

SEPTEMBER 30, 2021

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

CITY OF NEPTUNE BEACH, FLORIDA

SEPTEMBER 30, 2021

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**Additional Elements of Report Prepared in Accordance
with *Government Auditing Standards*, Issued by the
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Introductory Section

Annual Financial Report



City of Neptune Beach, Florida

Principal Officials

(As of September 30, 2021)

Elected Officials

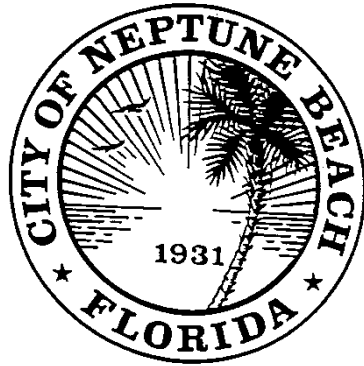
Elaine Brown - Mayor
Fred Jones - Vice Mayor
Lauren Key - Councilor
Josh Messinger - Councilor
Kerry Chin - Councilor

City Council Appointed Officials

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

Appointed by City Manager/Confirmed by City Council

Richard J. Pike - Director of Public Safety
Maxine Person – Chief Financial Officer (Interim)



Financial Section

Annual Financial Report

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Neptune Beach, Florida, (the City) as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibilities for the Financial Statements

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

Auditor's Responsibility

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

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

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

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City of Neptune Beach, Florida
Neptune Beach, Florida

INDEPENDENT AUDITOR'S REPORT

Summary of Opinions

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental Activities	Qualified
Business-Type Activities	Unmodified
General Fund	Qualified
Jarboe Park CIP Fund	Unmodified
Water and Sewer Fund	Unmodified
Sanitation Fund	Unmodified
Stormwater Utility Fund	Unmodified
Aggregate Remaining Fund Information	Unmodified

Basis for Qualified Opinion on Governmental Activities and General Fund

The clearing fund within the General Fund contains negative cash and negative liability balances of approximately \$226,000 each, that management has not been able to provide documentation or explanation for. Because of the lack of documentation related to these accounts we were unable to form an opinion regarding these clearing fund amounts, which are material to the General Fund and Governmental Activities.

Qualified Opinions

In our opinion, except for the effects of the matter described in the "Basis for Qualified Opinion on Governmental Activities and General Fund" paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the general fund of the City as of September 30, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, each major fund other than the General Fund, and the aggregate remaining fund information of the City as of September 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and required supplementary information (RSI) as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the RSI in accordance with auditing standards generally accepted in the United States of America, which consisted

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

INDEPENDENT AUDITOR'S REPORT

of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual non-major fund financial statements, and schedule of expenditures of the City of Jacksonville grant funds per Ordinance Code Chapter 118.205(e), as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reports Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report, dated May 19, 2023, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is 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.



May 19, 2023
Gainesville, Florida

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis (Unaudited)

As management of the City of Neptune Beach (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2021.

Financial Highlights

- The assets and deferred outflows of the City exceeded its liabilities and deferred inflows at the close of fiscal year 2021 by \$26,413,170 (net position). The net position of the City increased by \$3,535,649.
- At September 30, 2021, the City's governmental funds reported combined ending fund balances of \$2,082,554, a decrease of \$1,253,087 in comparison with the prior year.
- At September 30, 2021, unassigned fund balance for the general fund was \$1,365,348 or 21.56% of total General Fund expenditures.
- General fund revenues increased by \$407,006 or 7.40% from the prior fiscal year primarily due to an increase in taxes, franchise fees, and intergovernmental revenues.
- The City's outstanding notes payable and bonded debt decreased by \$487,808 during fiscal year 2021. This decrease was due to normal debt payments made during the fiscal year.

Overview of the Financial Statements

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

Government-Wide Financial Statements

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

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

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

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

Management's Discussion and Analysis (Unaudited)

Fund Financial Statements

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

Governmental Funds

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

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

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

Proprietary Funds

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

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

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and sewer fund, the sanitation fund, and the stormwater fund, which are considered major funds of the City. The paid parking fund is reported as a non-major fund. The basic proprietary fund financial statements can be found on pages 18 - 21 of this report.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the City (e.g., pension beneficiaries). Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary financial statements can be found on pages 22 - 23 of this report.

Management's Discussion and Analysis (Unaudited)

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 24 - 50 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City's progress in funding its obligation to provide the Police Officers pension benefits and other post-employment benefits. Required supplementary information can be found on pages 51-58 of this report.

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information on the pension. Combining and individual fund statements and schedules can be found on pages 59-73 of this report.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows by \$26,413,170 at the close of the fiscal year ended September 30, 2021.

City of Neptune Beach's Net Position September 30, 2021 (In Thousands)

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Current and Other Assets	\$ 4,586	\$ 3,747	\$ 6,966	\$ 4,692	\$ 11,552	\$ 8,439
Capital Assets	6,422	4,827	15,454	15,664	21,876	20,491
Total Assets	11,008	8,574	22,420	20,356	33,428	28,930
Deferred Outflows	908	820	59	19	967	839
Long-Term Liabilities Outstanding	1,166	1,560	2,507	3,037	3,673	4,597
Other Liabilities	2,577	691	1,584	1,524	4,161	2,215
Total Liabilities	3,743	2,251	4,091	4,561	7,834	6,812
Deferred Inflows	142	71	6	8	148	79
Net Position						
Net Invested in Capital Assets	6,422	4,828	12,643	12,333	19,065	17,161
Restricted	735	1,428	2,219	1,299	2,954	2,727
Unrestricted	874	816	3,520	2,174	4,394	2,990
Total Net Position	\$ 8,031	\$ 7,072	\$ 18,382	\$ 15,806	\$ 26,413	\$ 22,878

The largest portion of the City's net position \$19,064,694 (72.2%) reflects its investment in capital assets (e.g., land, buildings, and equipment); less any related outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Management's Discussion and Analysis
(Unaudited)

A portion of the City's net position, \$2,954,785 (11.9%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of the net position, \$4,393,691 (16.6%) represents unrestricted net position. At the end of the current fiscal year, the City is able to report positive balances in total net position, both for the government as a whole, as well as for its separate governmental and business-type activities. The 2021 governmental activities unrestricted net position balance increased \$57,139 compared to the prior year.

Following is a summary of activities for the City during the fiscal years ended September 30, 2021 and 2020:

City of Neptune Beach's Change in Net Position (In Thousands)						
	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Revenues						
Program Revenues:						
Charges for Services	\$ 433	\$ 458	\$ 8,155	\$ 7,704	\$ 8,588	\$ 8,162
Operating Grants and Contributions	834	825	-	-	834	825
Capital Grants and Contributions	241	36	130	-	371	36
General Revenues:						
Property Taxes	3,154	2,971	-	-	3,154	2,971
Sales and Use Taxes	860	758	-	-	860	758
Franchises and Utility Taxes	591	606	-	-	591	606
Discretionary Sales Surtax	576	505	-	-	576	505
State Revenue Sharing	211	190	-	-	211	190
Interest Revenue	3	16	3	40	6	56
Miscellaneous	307	254	-	-	307	254
Total Revenues	7,210	6,619	8,288	7,744	15,498	14,363
Expenses						
General Government	1,414	1,649	-	-	1,414	1,649
Public Safety	3,607	3,671	-	-	3,607	3,671
Public Works	867	1,150	-	-	867	1,150
Culture and Recreation	483	500	-	-	483	500
Water and Sewer	-	-	3,298	3,460	3,298	3,460
Sanitation	-	-	1,448	1,433	1,448	1,433
Stormwater	-	-	280	315	280	315
Paid Parking	-	-	566	319	566	319
Total Expenses	6,371	6,970	5,592	5,527	11,963	12,497
Net Increase (Decrease) in Net Position Before Transfers	839	(351)	2,696	2,217	3,535	1,866
Transfers	120	240	(120)	(240)	-	-
Increase (Decrease) in Net Position	959	(111)	2,576	1,977	3,535	1,866
Net Position - Beginning	7,072	7,183	15,806	13,829	22,878	21,012
Net Position - Ending	\$ 8,031	\$ 7,072	\$ 18,382	\$ 15,806	\$ 26,413	\$ 22,878

Governmental Activities

Governmental activities increased the City's net position by \$959,413 accounting for a 13.6% increase in governmental net position.

Management's Discussion and Analysis (Unaudited)

Business-Type Activities

Business-type activities increased the City's net position by \$2,576,236 accounting for a 16.3% increase in business-type activities net position.

Overall Financial Position

The overall financial position of the City has improved by \$3,535,649 thereby accounting for a total increase in net position of 15.5%. This was attributable to the explanations given above for the governmental and business-type activities.

Financial Analysis of the City's Funds

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

Governmental Funds

The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable resources*. Such information is useful in assessing the City's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. At the end of fiscal year 2021, the City's governmental funds reported combined ending fund balances of \$2,082,554 a decrease of \$1,253,087 in comparison with the prior year. This change is mostly attributed to the completion of the Jarboe Park CIP fund decrease. The Jarboe park improvements were complete in 2021.

The general fund is the chief operating fund of the City. At the end of fiscal year 2021, unassigned fund balance of the general fund was \$1,365,348. Unassigned fund balance represents 21.2% of the total general fund expenditures and transfers out. The fund balance of the City's general fund decreased by \$420,802 during the current fiscal year. This decrease is less than the prior year decrease by 40.9%.

A capital projects fund is used to account for the City's capital expenditures related to the Jarboe Park improvement plan. The net decrease in fund balance during the current year for this fund was \$159,774.

Non-major governmental funds consisting of special revenue funds have a combined fund balance of \$804,730. The net decrease in fund balance during the current year in non-major governmental funds was \$672,511.

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 \$3,520,092.

Management's Discussion and Analysis
(Unaudited)

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, 2021, amounts to \$21,876,650 (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 6.76%.

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

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Capital Assets not Being Depreciated, Land, and Construction in Progress	\$ 1,762	\$ 176	\$ 358	\$ 296	\$ 2,120	\$ 472
Buildings and Other Improvements	3,969	4,216	13,913	14,133	17,882	18,349
Equipment	691	435	1,184	1,235	1,875	1,670
Total	\$ 6,422	\$ 4,827	\$ 15,455	\$ 15,664	\$ 21,877	\$ 20,491

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

Long-Term Debt

At the end of fiscal year 2021, the City had total bonded debt outstanding of \$2,810,293. The City's debt represents bonds, Florida Department of Environmental Protection loans, and Bank loans secured solely by specified revenue sources (i.e., revenue bonds).

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

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Revenue Bonds	\$ -	\$ -	\$ -	\$ 95	\$ -	\$ 95
Sewer Line Loan	-	-	2,360	2,360	2,360	2,360
State Revolving Fund Loans	-	-	450	843	450	843
Total	\$ -	\$ -	\$ 2,810	\$ 3,298	\$ 2,810	\$ 3,298

The City's total debt decreased by \$487,808 (15%) during the current fiscal year. This decrease was due to normal debt payments made during the fiscal year.

Management's Discussion and Analysis (Unaudited)

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

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

Economic Factors and Next Year's Budgets and Rates

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

Other Economic Factors:

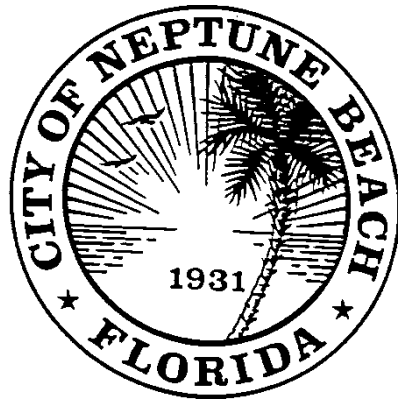
- The unemployment rate for the municipal service area increased in fiscal year 2021 by 6.09%. This compares favorably with the state's average unemployment rate and the national average unemployment rate.
- Inflationary trends in the region compare favorably to national indices.

Budget Highlights:

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

Requests for Information

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



Basic Financial Statements

Annual Financial Report

STATEMENT OF NET POSITION
SEPTEMBER 30, 2021
CITY OF NEPTUNE BEACH, FLORIDA

	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$ 3,517,453	\$ 5,758,336	\$ 9,275,789
Equity in Pooled Investments	140,620	-	140,620
Accounts Receivable	-	595,991	595,991
Due from Other Governments	674,170	129,705	803,875
Internal Balances	246,354	(246,354)	-
Prepaid Expenses	7,670	-	7,670
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	-	727,902	727,902
Capital Assets:			
Land	37,861	-	37,861
Construction in Progress	1,724,731	357,834	2,082,565
Buildings	4,988,551	3,421,788	8,410,339
Improvements Other than Buildings	3,380,475	24,294,074	27,674,549
Equipment	3,665,322	5,667,000	9,332,322
(Accumulated Depreciation)	(7,374,741)	(18,286,245)	(25,660,986)
Total Assets	11,008,466	22,420,031	33,428,497
Deferred Outflows of Resources			
Pension Related	765,023	-	765,023
OPEB Related	142,923	58,927	201,850
Total Deferred Outflows of Resources	907,946	58,927	966,873
Liabilities			
Accounts Payable and Accrued Liabilities	300,718	425,607	726,325
Unearned Revenue	1,908,871	-	1,908,871
Deposits	24,033	-	24,033
Due to Other Governments	13,089	-	13,089
Compensated Absences - Current	330,330	108,532	438,862
Payable from Restricted Assets:			
Deposits	-	263,387	263,387
Accrued Interest Payable	-	39,530	39,530
Current Portion of Leases Payable	-	88,999	88,999
Current Portion of Loans Payable	-	657,131	657,131
Non-Current Liabilities:			
Compensated Absences - Non-Current	15,348	-	15,348
Leases Payable Long-Term	-	38,334	38,334
Loans Payable Long-Term	-	2,153,162	2,153,162
OPEB Liability	766,252	315,920	1,082,172
Net Pension Liability	384,222	-	384,222
Total Liabilities	3,742,863	4,090,602	7,833,465
Deferred Inflows of Resources			
Pension Related	126,900	-	126,900
OPEB Related	15,461	6,374	21,835
Total Deferred Inflows of Resources	142,361	6,374	148,735
Net Position			
Net Investment in Capital Assets	6,422,199	12,642,495	19,064,694
Restricted for:			
Capital Projects	626,451	-	626,451
Debt Service	-	269,325	269,325
Renewal and Replacement	-	69,520	69,520
Other Purposes	108,939	1,880,550	1,989,489
Unrestricted	873,599	3,520,092	4,393,691
Total Net Position	\$ 8,031,188	\$ 18,381,982	\$ 26,413,170

See accompanying notes.

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2021
CITY OF NEPTUNE BEACH, FLORIDA

Function/Program Activities	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-Type Activities	
Primary Government							
Governmental Activities:							
General Government	\$ 1,414,452	\$ 256,067	\$ 14,890	\$ -	\$ (1,143,495)	\$ -	\$ (1,143,495)
Public Safety	3,606,595	96,158	271,164	41,600	(3,197,673)	-	(3,197,673)
Public Works	866,694	-	330,885	-	(535,809)	-	(535,809)
Culture and Recreation	483,542	80,720	217,084	200,000	14,262	-	14,262
Total Governmental Activities	6,371,283	432,945	834,023	241,600	(4,862,715)	-	(4,862,715)
Business-Type Activities:							
Water and Sewer	3,297,955	4,877,459	-	129,705	-	1,709,209	1,709,209
Sanitation	1,447,894	1,401,675	-	-	-	(46,219)	(46,219)
Storm Water Utility	279,840	1,311,910	-	-	-	1,032,070	1,032,070
Parking	566,149	564,511	-	-	-	(1,638)	(1,638)
Total Business-Type Activities	5,591,838	8,155,555	-	129,705	-	2,693,422	2,693,422
Total Primary Government	\$ 11,963,121	\$ 8,588,500	\$ 834,023	\$ 371,305	(4,862,715)	2,693,422	(2,169,293)
General Revenues							
Taxes:							
Property Taxes					3,153,805	-	3,153,805
Sales and Use Taxes					859,700	-	859,700
Franchise and Utility Taxes					591,117	-	591,117
State Revenue Sharing					210,877	-	210,877
Discretionary Sales Surtax					576,204	-	576,204
Interest Revenue					2,600	2,814	5,414
Miscellaneous					307,825	-	307,825
Transfers					120,000	(120,000)	-
Total General Revenues and Transfers					5,822,128	(117,186)	5,704,942
Change in Net Position					959,413	2,576,236	3,535,649
Net Position, Beginning of Year					7,071,775	15,805,746	22,877,521
Net Position, End of Year					\$ 8,031,188	\$ 18,381,982	\$ 26,413,170

See accompanying notes.

BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2021
CITY OF NEPTUNE BEACH, FLORIDA

	General Fund	Jarboe Park CIP Fund	Non-Major Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$ 2,923,173	\$ 44,442	\$ 549,838	\$ 3,517,453
Equity in Pooled Investments	140,620	-	-	140,620
Due from Other Governments	374,183	200,000	99,987	674,170
Due from Other Funds	84,354	-	162,000	246,354
Prepaid Expense	7,670	-	-	7,670
Total Assets	<u>3,530,000</u>	<u>244,442</u>	<u>811,825</u>	<u>4,586,267</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances				
Liabilities				
Accounts Payable and Accrued Liabilities	153,987	139,636	7,095	300,718
Due to Other Governments	13,089	-	-	13,089
Due to Other Funds	-	-	-	-
Unearned Revenue	1,908,871	-	-	1,908,871
Deposits	24,033	-	-	24,033
Total Liabilities	<u>2,099,980</u>	<u>139,636</u>	<u>7,095</u>	<u>2,246,711</u>
Deferred Inflows of Resources				
Unavailable Revenues	<u>57,002</u>	<u>200,000</u>	<u>-</u>	<u>257,002</u>
Fund Balances				
Non-Spendable:				
Prepays	7,670	-	-	7,670
Restricted for:				
Public Safety	-	-	21,943	21,943
Capital Outlay	-	-	626,451	626,451
Other	-	-	86,996	86,996
Assigned:				
Community Development	-	-	69,340	69,340
Unassigned	1,365,348	(95,194)	-	1,270,154
Total Fund Balances	<u>1,373,018</u>	<u>(95,194)</u>	<u>804,730</u>	<u>2,082,554</u>
Total Liabilities and Fund Balances	<u>\$ 3,530,000</u>	<u>\$ 244,442</u>	<u>\$ 811,825</u>	<u>\$ 4,586,267</u>

See accompanying notes.

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2021
CITY OF NEPTUNE BEACH, FLORIDA**

Fund Balances - Total Governmental Funds	\$	2,082,554
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**Amounts Reported for Governmental Activities in the Statement of Net
Position are Different Because:**

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		6,422,199
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Certain pension and OPEB related amounts are being deferred and amortized over a period of years or are being deferred as contributions to the pension or OPEB plan made after the measurement date:

Deferred Outflows Related to OPEB		142,923
Deferred Inflows Related to OPEB		(15,461)
Deferred Outflows Related to Pension		765,023
Deferred Inflows Related to Pension		(126,900)

Some revenues have been deferred on the balance sheet because they were not measurable and available at year-end.		257,002
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Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:

Net Pension Liability		(384,222)
Postemployment Benefit Obligation		(766,252)
Compensated Absences		(345,678)

Net Position of Governmental Activities	\$	8,031,188
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See accompanying notes.

**STATEMENTS OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2021
CITY OF NEPTUNE BEACH, FLORIDA**

	General Fund	Jarboe Park CIP Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues				
Taxes	\$ 3,153,804	\$ -	\$ 832,202	\$ 3,986,006
Charges for Services	23,348	-	5,035	28,383
Licenses and Permits	239,779	-	-	239,779
Franchise Fees	591,118	-	-	591,118
Intergovernmental	1,560,022	-	91,116	1,651,138
Fines and Forfeitures	64,483	-	24,615	89,098
Investment Income	2,544	-	388	2,932
Miscellaneous	269,555	20,000	75,685	365,240
Total Revenues	<u>5,904,653</u>	<u>20,000</u>	<u>1,029,041</u>	<u>6,953,694</u>
Expenditures				
Current:				
General Government	1,369,941	-	-	1,369,941
Public Safety	3,720,447	-	2,971	3,723,418
Public Works	497,793	-	281,917	779,710
Culture and Recreation	278,697	-	121,656	400,353
Capital Outlay	466,373	1,201,705	385,281	2,053,359
(Total Expenditures)	<u>(6,333,251)</u>	<u>(1,201,705)</u>	<u>(791,825)</u>	<u>(8,326,781)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(428,598)</u>	<u>(1,181,705)</u>	<u>237,216</u>	<u>(1,373,087)</u>
Other Financing Sources (Uses)				
Transfers in	130,000	1,021,931	362,204	1,514,135
Transfers (out)	(122,204)	-	(1,271,931)	(1,394,135)
Total Other Financing Sources (Uses)	<u>7,796</u>	<u>1,021,931</u>	<u>(909,727)</u>	<u>120,000</u>
Net Changes in Fund Balances	<u>(420,802)</u>	<u>(159,774)</u>	<u>(672,511)</u>	<u>(1,253,087)</u>
Fund Balances, Beginning of Year	<u>1,793,820</u>	<u>64,580</u>	<u>1,477,241</u>	<u>3,335,641</u>
Fund Balances, End of Year	<u>\$ 1,373,018</u>	<u>\$ (95,194)</u>	<u>\$ 804,730</u>	<u>\$ 2,082,554</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, 2021
CITY OF NEPTUNE BEACH, FLORIDA**

Net Change in Fund Balances - Total Governmental Funds \$ (1,253,087)

**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	\$ 2,027,862	
(Current Year Depreciation)	<u>(433,137)</u>	1,594,725

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.		324,021
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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.		(36,299)
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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.		257,002
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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>73,051</u>
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Change in Net Position of Governmental Activities		<u><u>\$ 959,413</u></u>
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See accompanying notes.

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2021
CITY OF NEPTUNE BEACH, FLORIDA

	Business-Type Activities - Enterprise Funds				Total
	Major Fund Water and Sewer	Major Fund Sanitation	Major Fund Stormwater Utility	Non-Major Paid Parking	
Assets					
Current Assets:					
Equity in Pooled Cash and Cash Equivalents	\$ 3,894,566	\$ -	\$ 1,797,366	\$ 66,404	\$ 5,758,336
Accounts Receivable, Net of Allowance	446,598	105,703	41,015	2,675	595,991
Due from Other Governments	-	-	129,705	-	129,705
Total Current Assets	4,341,164	105,703	1,968,086	69,079	6,484,032
Non-Current Assets:					
Equity in Pooled Restricted Cash and Cash Equivalents	727,902	-	-	-	727,902
Capital Assets:					
Buildings	3,421,788	-	-	-	3,421,788
Improvements Other than Buildings	24,083,968	-	210,106	-	24,294,074
Equipment	4,320,779	301,456	876,499	168,266	5,667,000
Construction in Progress	68,887	-	288,947	-	357,834
(Less Accumulated Depreciation)	(17,319,649)	(301,456)	(636,047)	(29,093)	(18,286,245)
Total Capital Assets	14,575,773	-	739,505	139,173	15,454,451
Total Non-Current Assets	15,303,675	-	739,505	139,173	16,182,353
Total Assets	19,644,839	105,703	2,707,591	208,252	22,666,385
Deferred Outflows of Resources					
OPEB Related	44,928	5,683	4,136	4,180	58,927
Total Deferred Outflows of Resources	44,928	5,683	4,136	4,180	58,927

See accompanying notes.

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2021
CITY OF NEPTUNE BEACH, FLORIDA

	Business-Type Activities - Enterprise Funds				
	Major Fund Water and Sewer	Major Fund Sanitation	Major Fund Stormwater Utility	Non-Major Paid Parking	Total
Liabilities					
Current Liabilities Payable from Unrestricted					
Assets:					
Accounts Payable and Accrued Liabilities	\$ 249,023	\$ 112,535	\$ 51,094	\$ 12,955	\$ 425,607
Leases Payable - Current Portion	59,333	-	29,666	-	88,999
Loans Payable - Current Portion	657,131	-	-	-	657,131
Compensated Absences	90,573	-	17,959	-	108,532
Due to Other Funds	-	84,354	-	162,000	246,354
Total Current Liabilities Payable from Unrestricted Assets	1,056,060	196,889	98,719	174,955	1,526,623
Current Liabilities Payable from Restricted					
Assets:					
Deposits	263,387	-	-	-	263,387
Accrued Interest Payable	39,530	-	-	-	39,530
Total Current Liabilities Payable from Restricted Assets	302,917	-	-	-	302,917
Non-Current Liabilities:					
Leases Payable	25,556	-	12,778	-	38,334
Loans Payable	2,153,162	-	-	-	2,153,162
OPEB	240,872	30,466	22,172	22,410	315,920
Total Non-Current Liabilities	2,419,590	30,466	34,950	22,410	2,507,416
Total Liabilities	3,778,567	227,355	133,669	197,365	4,336,956
Deferred Inflows of Resources					
OPEB Related	4,860	615	447	452	6,374
Total Deferred Inflows of Resources	4,860	615	447	452	6,374
Net Position					
Net Investment in Capital Assets	11,806,261	-	697,061	139,173	12,642,495
Restricted for:					
Debt Service	269,325	-	-	-	269,325
Renewal and Replacement	69,520	-	-	-	69,520
Stormwater	-	-	1,880,550	-	1,880,550
Unrestricted	3,761,234	(116,584)	-	(124,558)	3,520,092
Total Net Position	\$ 15,906,340	\$ (116,584)	\$ 2,577,611	\$ 14,615	\$ 18,381,982

See accompanying notes.

**STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2021
CITY OF NEPTUNE BEACH, FLORIDA**

	Business-Type Activities - Enterprise Funds				
	Major Fund Water and Sewer	Major Fund Sanitation	Major Fund Stormwater Utility	Non-Major Paid Parking	Total
Operating Revenues					
Charges for Services	\$ 4,847,806	\$ 1,401,675	\$ 1,311,910	\$ 562,049	\$ 8,123,440
Connection Fees and Impact Fees	29,653	-	-	2,462	32,115
Total Operating Revenues	4,877,459	1,401,675	1,311,910	564,511	8,155,555
Operating Expenses					
Personal Services	1,438,143	176,616	141,044	144,773	1,900,576
Utilities	228,443	-	-	6,273	234,716
Supplies and Materials	257,050	5,429	7,365	18,595	288,439
Contractual Services	227,379	1,210,409	34,193	237,819	1,709,800
Depreciation and Amortization	723,914	-	50,747	13,008	787,669
Repairs and Maintenance	166,376	29,709	30,202	6,142	232,429
Insurance	107,434	15,132	10,149	9,414	142,129
Other Operating	54,666	10,599	3,175	130,125	198,565
(Total Operating Expenses)	(3,203,405)	(1,447,894)	(276,875)	(566,149)	(5,494,323)
Operating Income	1,674,054	(46,219)	1,035,035	(1,638)	2,661,232
Non-Operating Revenues (Expenses)					
Intergovernmental Revenue			129,705		129,705
Interest Revenue	2,107	-	669	38	2,814
Interest/Amortization Expense	(94,550)	-	(2,965)	-	(97,515)
Total Non-Operating Revenues (Expenses)	(92,443)	-	127,409	38	35,004
Income Before Operating Transfers	1,581,611	(46,219)	1,162,444	(1,600)	2,696,236
Transfers (out)	(120,000)	-	-	-	(120,000)
Change in Net Position	1,461,611	(46,219)	1,162,444	(1,600)	2,576,236
Total Net Position, Beginning of Year	14,444,729	(70,365)	1,415,167	16,215	15,805,746
Total Net Position, End of Year	\$ 15,906,340	\$ (116,584)	\$ 2,577,611	\$ 14,615	\$ 18,381,982

See accompanying notes.

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2021
CITY OF NEPTUNE BEACH, FLORIDA

	Business-Type Activities - Enterprise Funds				
	Major Fund Water and Sewer	Major Fund Sanitation	Major Fund Stormwater Utility	Non-Major Paid Parking	Total
Cash Flows from Operating Activities					
Cash Received from Customers	\$ 4,856,126	\$ 1,402,754	\$ 1,282,810	\$ 562,924	\$ 8,104,614
Cash Paid to Suppliers	(950,089)	(1,268,902)	(67,982)	(425,458)	(2,712,431)
Cash Paid to Employees	(1,512,781)	(178,655)	(131,833)	(127,454)	(1,950,723)
Net Cash Provided by (Used in) Operating Activities	<u>2,393,256</u>	<u>(44,803)</u>	<u>1,082,995</u>	<u>10,012</u>	<u>3,441,460</u>
Cash Flows from Non-Capital Financing Activities					
Transfers from/(to) Other Funds	(80,449)	44,803	-	-	(35,646)
Net Cash Provided by (Used in) Non-Capital Financing Activities	<u>(80,449)</u>	<u>44,803</u>	<u>-</u>	<u>-</u>	<u>(35,646)</u>
Cash Flows from Capital and Related Financing Activities					
Payments on Leases	(56,611)	-	(28,305)	-	(84,916)
Payments on Loans and Bonds	(487,808)	-	-	-	(487,808)
Interest Paid on Revenue Bonds	(69,518)	-	(2,965)	-	(72,483)
Acquisition and Construction of Capital Assets	(345,452)	-	(232,564)	-	(578,016)
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>(959,389)</u>	<u>-</u>	<u>(263,834)</u>	<u>-</u>	<u>(1,223,223)</u>
Cash Flows from Investing Activities					
Interest Received	2,107	-	669	38	2,814
Net Cash Provided by (Used in) Investing Activities	<u>2,107</u>	<u>-</u>	<u>669</u>	<u>38</u>	<u>2,814</u>
Net Increase (Decrease) in Cash and Cash Equivalents	1,355,525	-	819,830	10,050	2,185,405
Cash and Cash Equivalents, Beginning of Year	3,266,943	-	977,536	56,354	4,300,833
Cash and Cash Equivalents, End of Year	<u>\$ 4,622,468</u>	<u>\$ -</u>	<u>\$ 1,797,366</u>	<u>\$ 66,404</u>	<u>\$ 6,486,238</u>
Reconciliation of Cash and Cash Equivalents to Statement of Net Position					
Equity in Pooled Cash and Investments	\$ 3,894,566	\$ -	\$ 1,797,366	\$ 66,404	\$ 5,758,336
Restricted Equity in Pooled Cash and Investments	727,902	-	-	-	727,902
Total Cash and Cash Equivalents	<u>\$ 4,622,468</u>	<u>\$ -</u>	<u>\$ 1,797,366</u>	<u>\$ 66,404</u>	<u>\$ 6,486,238</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities					
Operating Income (Loss)	\$ 1,674,054	\$ (46,219)	\$ 1,035,035	\$ (1,638)	\$ 2,661,232
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:					
Depreciation and Amortization	723,914	-	50,747	13,008	787,669
Changes in Assets - Decrease (Increase) and Liabilities - Increase (Decrease):					
Accounts Receivable	(13,659)	1,079	(29,100)	(1,587)	(43,267)
Accounts Payable	91,259	2,376	17,102	(17,090)	93,647
Compensated Absences	(56,205)	-	6,751	-	(49,454)
Unearned Revenues	(1,749)	-	-	-	(1,749)
Customer Deposits	(5,925)	-	-	-	(5,925)
Other Postemployment Benefits	(18,433)	(2,039)	2,460	17,319	(693)
Total Adjustments	719,202	1,416	47,960	11,650	780,228
Net Cash Provided by (Used in) Operating Activities	<u>\$ 2,393,256</u>	<u>\$ (44,803)</u>	<u>\$ 1,082,995</u>	<u>\$ 10,012</u>	<u>\$ 3,441,460</u>

See accompanying notes.

**STATEMENT OF NET POSITION
FIDUCIARY FUND
SEPTEMBER 30, 2021
CITY OF NEPTUNE BEACH, FLORIDA**

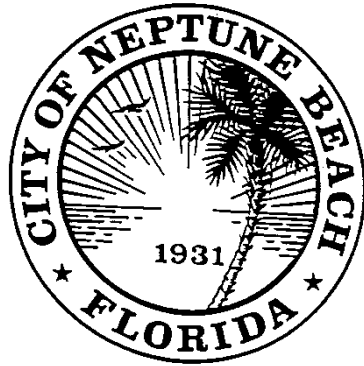
	Police Officers' Plan
Assets	
Cash and Short-Term Investments	\$ 285,137
Contributions Receivable	102,500
Accrued Interest Receivable	26,551
Investments:	
U.S. Government Obligations	1,400,414
Corporate Bonds	1,686,357
Electronically Traded Funds (ETFs)	1,297,680
Foreign Bonds	92,906
Mutual Funds - Equity	1,333,584
Common Equity Securities	6,602,920
Total Investments	12,413,861
Prepaid Expenses	2,598
Total Assets	12,830,647
Liabilities	
Accounts Payable	37,100
Total Liabilities	37,100
Net Position	
Held in Trust for Pension Benefits	\$ 12,793,547

See accompanying notes.

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2021
CITY OF NEPTUNE BEACH, FLORIDA

	Police Officers' Plan
Additions	
Contributions:	
Employees	\$ 147,698
Employer	547,372
State of Florida	66,933
Total Contributions	<u>762,003</u>
Investment Income:	
Net Appreciation in Fair Value of Investments	1,550,268
Interest and Dividends	258,166
Total Investment Earnings	<u>1,808,434</u>
(Less Investment Expense)	<u>(79,071)</u>
Net Investment Earnings	<u>1,729,363</u>
Total Additions	<u><u>2,491,366</u></u>
Deductions	
Regular Benefit Payments	540,254
DROP Benefits	4,742
Administrative Expenses	60,556
(Total Deductions)	<u><u>(605,552)</u></u>
Change in Net Position	1,885,814
Net Position, Beginning of Year	<u>10,907,733</u>
Net Position, End of Year	<u><u>\$ 12,793,547</u></u>

See accompanying notes.



Notes to Financial Statements

Annual Financial Report

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021
CITY OF NEPTUNE BEACH, FLORIDA

Note 1 - Summary of Significant Accounting Policies

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

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

Reporting Entity

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

Basic Financial Statements

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

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

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

NOTES TO FINANCIAL STATEMENTS
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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. The Jarboe Park Capital Improvement Fund is also considered a major fund. This fund accounts for the City's capital expenditures related to the Jarboe Park improvement plan.

**NOTES TO FINANCIAL STATEMENTS
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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, and Holiday Décor Fund.

■ **Capital Projects Funds**

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

■ **Proprietary Fund Types**

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

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

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

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

■ **Fiduciary Fund Types**

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

■ **Fund Balance Classifications**

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

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

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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 and Jarboe Park CIP 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, Holiday Décor, and a Capital Projects Fund. The legally adopted budgets are prepared on a basis consistent with GAAP.

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

The adopted budgets are integrated into the accounting system. The City has elected to present budgetary comparison schedule data for all governmental funds with annual budgets. The budgetary comparison schedule compares expenditures with the final amended budget. All budgets are presented on the modified accrual basis of accounting. Accordingly, the budgetary comparison schedule of the General, Jarboe Park CIP, and Special Revenue Funds presents 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 (CDs).

Investments

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

- a. The State Board of Administration Local Government Surplus Trust Funds (SBA Investment Pool), or any intergovernmental investment pool authorized pursuant to the *Florida Interlocal Cooperation Act*.
- b. Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency.
- c. Interest bearing time deposits or savings accounts in qualified public depositories.
- 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, 2021, 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.

NOTES TO FINANCIAL STATEMENTS
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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:

<u>Assets</u>	<u>Years</u>
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.

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Pension Plans

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

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

Net Position

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

Property Taxes

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

Details of the tax calendar are presented below:

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

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.

Recent Governmental Accounting Standards Board (GASB) Standards

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

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

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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, 2021, the cash deposits and investments included the following:

Investments Controlled by City:	
SBA Investment Pool	\$ 20,145
Certificate of Deposit	120,475
Total Investments Controlled by City	<u>140,620</u>
Cash:	
Cash Deposits	9,273,189
Restricted Cash	727,902
Cash on Hand	2,600
Total Cash	<u>10,003,691</u>
Total Cash and Investments	<u><u>\$ 10,144,311</u></u>

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, 2021, 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, 2021, were restricted for the following purposes:

Proprietary Funds	
Construction Loans	\$ 125,670
Debt Service	269,325
Customer Deposits	263,387
Impact Fees	69,520
Total Cash and Investments	<u><u>\$ 727,902</u></u>

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.

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Credit Risk

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

	QUALITY RATINGS									
	AAA	AA+	AA	AA-	A+	A	A-	BBB+	BBB	Unrated
Investments Controlled by the City:										
Certificates of Deposit	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 120,475
SBA Investment Pool	-	-	-	-	-	-	-	-	-	20,145
Total Investments Controlled by the City	-	-	-	-	-	-	-	-	-	140,620
Pension Plan Investments:										
U.S. Government and Federal Agency Securities	334,209	1,066,205	-	-	-	-	-	-	-	-
Corporate Bonds	-	133,509	-	-	73,849	-	632,676	458,169	311,867	76,287
ETFs - Fixed Income	-	-	-	-	-	-	-	-	-	1,297,680
Foreign Bonds	-	-	-	-	-	-	-	-	92,906	-
Mutual Funds - Equity	-	-	-	-	-	-	-	-	-	1,333,584
Common Equity Securities	-	-	-	-	-	-	-	-	-	6,602,920
Total Pension Plan Investments	\$ 334,209	\$ 1,199,714	\$ -	\$ -	\$ 73,849	\$ -	\$ 632,676	\$ 458,169	\$ 404,773	\$ 9,310,471

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, 2021, 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, 2021.

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

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interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

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

Investment Type	Investment Maturities (in Years)				
	Fair Value	Less Than 1	1-5	6-10	More Than 10
Investments Controlled by the City:					
Certificates of Deposit	\$ 120,475	\$ 120,475	\$ -	\$ -	\$ -
SBA Investment Pool	20,145	20,145	-	-	-
Total Investments Controlled by the City	<u>\$ 140,620</u>	<u>\$ 140,620</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Pension Plan Investments:					
U.S. Government and Agency Securities	\$ 1,400,414	100,237	\$ 566,848	\$ 731,832	\$ 1,497
Corporate Bonds	1,686,357	76,288	1,271,466	338,603	-
ETF - Fixed Income	1,297,680	1,297,680	-	-	-
Foreign Bonds	92,906	-	92,906	-	-
Mutual Funds - Equity	1,333,584	1,333,584	-	-	-
Common Equity Securities	6,602,920	6,602,920	-	-	-
Total Investments Measured at Fair Value	<u>\$ 12,413,861</u>	<u>\$ 9,410,709</u>	<u>\$ 1,931,220</u>	<u>\$ 1,070,435</u>	<u>\$ 1,497</u>

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, 2021:

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		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)
Investments at Fair Value Level	Amount			
Fiduciary Funds:				
U.S. Government Obligations and Federal Agency Securities	\$ 1,400,414	\$ -	\$ 1,400,414	\$ -
Corporate Bonds	1,686,357	-	1,686,357	-
Foreign Bonds	92,906	-	92,906	-
Common Stock	6,602,920	6,602,920	-	-
ETF - Fixed Income	1,297,680	1,297,680	-	-
Mutual Funds - Equity	1,333,584	1,333,584	-	-
Total Investments Measured at Fair Value	\$ 12,413,861	\$ 9,234,184	\$ 3,179,677	\$ -

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, 2021, consist of the following:

	General Fund	Jarboe Park CIP Fund	Water and Sewer Fund	Sani- tation Fund	Storm- Water Utility Fund	Police Officers' Plan Fund	Non- Major/ Other Funds	Total Funds
Receivables								
Interest	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 26,551	\$ -	\$ 26,551
Accounts Receivable	-	-	525,409	124,356	143,426	102,500	2,675	898,366
Intergovernmental	374,183	200,000	-	-	129,705	-	99,987	803,875
Gross Receivables	374,183	200,000	525,409	124,356	273,131	129,051	102,662	1,728,792
Allowance	-	-	(78,811)	(18,653)	(102,411)	-	-	(199,875)
Net Receivables	\$ 374,183	\$ 200,000	\$ 446,598	\$ 105,703	\$ 170,720	\$ 129,051	\$ 102,662	\$ 1,528,917

Included in accounts receivable are \$330,858 earned but not billed as of September 30, 2021.

Note 4 - Interfund Transactions

Interfund receivables/payables represent temporary loans to cover other funds' deficits in pooled cash and investments. At September 30, 2021, the City had the following due to/from other funds:

	Due from Other Funds	Due to Other Funds
Receivables		
General Fund	\$ 84,354	\$ -
Non-Major Governmental Funds	162,000	-
Sanitation Fund	-	84,354
Paid Parking Fund	-	162,000
Net Receivables	\$ 246,354	\$ 246,354

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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, 2021:

	Transfers Out			
	General Fund	Water/Sewer Fund	Non-Major Funds	Total Funds
Transfers In				
General Fund	\$ -	\$ 120,000	\$ 10,000	\$ 130,000
Jarboe Park CIP Fund	-	-	1,021,931	1,021,931
Non-Major Governmental Funds	122,204	-	240,000	362,204
Total Transfers In	<u>\$ 122,204</u>	<u>\$ 120,000</u>	<u>\$ 1,271,931</u>	<u>\$ 1,514,135</u>

Transfers in (out) during the fiscal year 2021, are as follows:

- \$10,000 was transferred from the Convention Development Tax Fund to the General Fund to cover expenses paid for by the General Fund.
- \$120,000 was transferred from the Water and Sewer Fund to the General Fund to support the governmental activities.
- \$1,021,931 was transferred from the Better Jacksonville Half-Cent Fund to the Jarboe Park CIP fund to support the Jarboe Park renovations.
- \$240,000 was transferred from the Better Jacksonville Half-Cent Fund to the Capital Improvement Fund to fund Capital Outlay.
- \$120,952 was transferred from the General Fund to the Capital Improvement Fund to fund Capital Outlay.
- \$1,252 was transferred from the General Fund to the Holiday Décor Fund to provide additional funding for expenses in excess of revenues.

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021
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Note 5 - Capital Assets

Capital asset activity for the fiscal year ended September 30, 2021, is as follows:

	Balance October 1, 2020	Increases	Decreases	Balance September 30, 2021
Governmental Activities				
Capital Assets, Not Being Depreciated:				
Land	\$ 37,861	\$ -	\$ -	\$ 37,861
Construction in Process	138,546	1,586,185	-	1,724,731
Total Capital Assets, Not Being Depreciated	176,407	1,586,185	-	1,762,592
Capital Assets Being Depreciated:				
Buildings and Improvements	4,988,551	-	-	4,988,551
Improvements Other than Buildings	3,380,475	-	-	3,380,475
Equipment	3,223,645	441,677	-	3,665,322
Total Capital Assets Being Depreciated	11,592,671	441,677	-	12,034,348
Less Accumulated Depreciation for:				
Buildings and Improvements	(2,076,704)	(159,063)	-	(2,235,767)
Improvements Other than Buildings	(2,075,847)	(88,322)	-	(2,164,169)
Equipment	(2,789,053)	(185,752)	-	(2,974,805)
Total Accumulated Depreciation	(6,941,604)	(433,137)	-	(7,374,741)
Total Capital Assets Being Depreciated	4,651,067	8,540	-	4,659,607
Total Governmental Activities, Capital Assets, Net	<u>\$ 4,827,474</u>	<u>\$ 1,594,725</u>	<u>\$ -</u>	<u>\$ 6,422,199</u>
	Balance October 1, 2020	Increases	Decreases	Balance September 30, 2021
Business-Type Activities				
Capital Assets, Not Being Depreciated:				
Construction in Process	\$ 295,992	\$ 61,842	\$ -	\$ 357,834
Total Capital Assets, Not Being Depreciated	295,992	61,842	-	357,834
Capital Assets Being Depreciated:				
Buildings and Improvements	3,353,088	68,700	-	3,421,788
Improvements Other than Buildings	24,067,645	226,429	-	24,294,074
Equipment	5,445,958	221,042	-	5,667,000
Total Capital Assets Being Depreciated	32,866,691	516,171	-	33,382,862
Less Accumulated Depreciation for:				
Buildings and Improvements	(3,293,700)	(6,069)	-	(3,299,769)
Improvements Other than Buildings	(9,993,541)	(509,835)	-	(10,503,376)
Equipment	(4,211,338)	(271,762)	-	(4,483,100)
Total Accumulated Depreciation	(17,498,579)	(787,666)	-	(18,286,245)
Total Capital Assets Being Depreciated	15,368,112	(271,495)	-	15,096,617
Business-Type Activities, Capital Assets, Net	<u>\$ 15,664,104</u>	<u>\$ (209,653)</u>	<u>\$ -</u>	<u>\$ 15,454,451</u>

NOTES TO FINANCIAL STATEMENTS
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Depreciation expense was charged to functions/programs as follows:

Governmental Activities	
General Government	\$ 34,995
Public Safety	190,305
Transportation	124,108
Culture and Recreation	83,729
Total Depreciation Expense - Governmental Activities	\$ 433,137
Business-Type Activities	
Water and Sewer	\$ 732,799
Stormwater Utility	41,859
Paid Parking Fund	13,008
Total Depreciation Expense - Business-Type Activities	\$ 787,666

Note 6 - Long-Term Liabilities

At September 30, 2021, bonds and loans payable consisted of the following:

	<u>Governmental</u>	<u>Business-Type</u>
Loans		
Drinking Water State Revolving Fund Construction Loan #2, Due in Semi-Annual Installments of Principal and Interest of \$59,050 through February 15, 2023, Bearing an Interest Rate of 3.05%	\$ -	\$ 171,873
Clean Water State Revolving Fund Construction Loan, Due in Semi-Annual Installments of Principal and Interest of \$142,402 through August 15, 2022, Bearing an Interest Rate of 3.05%	-	278,420
Water and Sewer Revenue Note, Series 2013A Dated September 10, 2013, for \$3,280,000, Due in Semi-Annual Installments of Principal Ranging from \$5,000 to \$325,000, Bearing an Interest Rate of 3.35%, Final Payment Due October 1, 2028	-	2,360,000
Total	\$ -	\$ 2,810,293

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021
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Transactions for the year ended September 30, 2020, are summarized as follows:

	Balance October 1, 2020	Additions	Reductions	Balance September 30, 2021	Due Within One Year
Governmental Activities					
Net Pension Liability	\$ 792,777	\$ -	\$ (408,555)	\$ 384,222	\$ -
OPEB Obligations	628,687	137,565	-	766,252	-
Compensated Absences	418,729	371,507	(444,558)	345,678	330,330
Total Governmental Activities - Long-Term Liabilities	<u>\$ 1,840,193</u>	<u>\$ 509,072</u>	<u>\$ (853,113)</u>	<u>\$ 1,496,152</u>	<u>\$ 330,330</u>
Business-Type Activities					
Bonds Payable:					
Infrastructure Surtax Revenue Bonds, 2010A	\$ 95,000	\$ -	\$ (95,000)	\$ -	\$ -
Loans Payable:					
Drinking Water Loan #1	12,373	-	(12,373)	-	-
Drinking Water Loan #2	282,191	-	(110,318)	171,873	113,711
Clean Water Loan	548,537	-	(270,117)	278,420	278,420
Water and Sewer Revenue Note Series 2013A	2,360,000	-	-	2,360,000	265,000
Total Bonds and Loans Payable	<u>3,298,101</u>	<u>-</u>	<u>(487,808)</u>	<u>2,810,293</u>	<u>657,131</u>
Lease Payable	212,249	-	(84,916)	127,333	88,999
OPEB Obligations	275,538	40,382	-	315,920	-
Compensated Absences	157,986	36,986	(86,440)	108,532	108,532
Business-Type Activities - Long-Term Liabilities	<u>\$ 3,943,874</u>	<u>\$ 77,368</u>	<u>\$ (659,164)</u>	<u>\$ 3,362,078</u>	<u>\$ 854,662</u>

The annual requirements to amortize the bonds and loans payable outstanding as of September 30, 2021, are summarized as follows:

Fiscal Year Ending September 30,	Drinking Water State Revolving Fund Construction Loan #2		Clean Water State Revolving Fund Construction Loan	
	Principal	Interest	Principal	Interest
2022	\$ 113,711	\$ 4,387	\$ 278,420	\$ 6,385
2023	58,162	888	-	-
2024	-	-	-	-
Total	<u>\$ 171,873</u>	<u>\$ 5,275</u>	<u>\$ 278,420</u>	<u>\$ 6,385</u>

Fiscal Year Ending September 30,	Water and Sewer Revenue Note, 2013A		Business-Type Activities Totals	
	Principal	Interest	Principal	Interest
2022	\$ 265,000	\$ 70,183	\$ 657,131	\$ 80,955
2023	275,000	60,970	333,162	61,858
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
2027-2031	950,000	32,327	950,000	32,327
Total	<u>\$ 2,360,000</u>	<u>\$ 288,770</u>	<u>\$ 2,810,293</u>	<u>\$ 300,430</u>

NOTES TO FINANCIAL STATEMENTS
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The final draw on the water construction project #1, which was funded by Drinking Water State Revolving Fund Construction Loan #1, was received on December 3, 2001. The full amount of the loan was \$174,183 and was used for water system project construction. Revenues of the Water and Sewer Fund will repay this obligation. Annual principal and interest on the loan is expected to require 0% of such revenues and is payable through 2021. At year-end, pledged future revenues totaled \$0, which was the amount of remaining principal and interest on the loan.

On May 7, 2001, the City was approved for a Drinking Water State Revolving Fund Construction Loan #2 for water construction project #2. The full amount of the loan was \$1,740,925 and was used for water system project construction. Revenues of the Water and Sewer Fund will repay this obligation. Annual principal and interest on the loan is expected to require 2% of such revenues and is payable through 2023. At year-end, pledged future revenues totaled \$177,148, which was the amount of remaining principal and interest on the loan.

On January 4, 1999, the City was approved for a Clean Water State Revolving Fund Construction Loan for sewer project construction. The full amount of the loan was \$4,428,579 and was used for sewer project construction. Revenues of the Water and Sewer Fund will repay this obligation. Annual principal and interest on the loan is expected to require 6% of such revenues and is payable through 2022. At year-end, pledged future revenues totaled \$284,805, which was the amount of remaining principal and interest on the loan.

On January 12, 2010, the City issued Infrastructure Surtax Revenue Bonds Series A for \$1,700,000. The proceeds of the bond issue are to improve the sewage treatment plant and to replace in-ground infrastructure of the City's water and sewer utility system. The bonds are secured from the infrastructure surtax. Annual principal and interest on the bonds are expected to require 0% of such revenues and are payable through 2020. However, revenues of the Water and Sewer Fund will repay these bonds. At year-end, pledged future revenues totaled \$0, which was the amount of remaining principal and interest on the bonds.

On September 10, 2013, the City approved the Water and Sewer Revenue Note 2013A for \$3,280,000. The proceeds of the loans will be used for improvements to the water and sewer system and refunding the 2001 Water and Sewer Bond and paying related costs. Annual principal and interest on the notes are expected to require 7% of such revenues and are payable through 2028. At year-end, pledged future revenues totaled \$2,648,770, which was the amount of remaining principal and interest on the notes.

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:

Asset	
Excavator	\$ 338,805
(Accumulated Depreciation)	(152,462)
Total	<u><u>\$ 186,343</u></u>

NOTES TO FINANCIAL STATEMENTS
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The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2021, were as follows:

Fiscal Year Ending September 30,	Business-Type Activities
2022	\$ 93,087
2023	38,786
Total	131,873
(Amount Representing Interest)	(4,540)
Net Present Value	\$ 127,333

Note 7 - Employee Benefits

Police Officers' Retirement System

Plan Description

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

	October 1, 2021
Retirees and Beneficiaries	
Inactive Plan Members or Beneficiaries	
Currently Receiving Benefits	14
Inactive Plan Members Entitled to but not yet Receiving Benefits	10
Active Plan Members	18
Total Retirees and Beneficiaries	42

NOTES TO FINANCIAL STATEMENTS
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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, 2021, Police Officers' Plan Fund net pension included \$195,640 of DROP account balances.

Contributions

The City's contribution is actuarially determined. The City's required contribution as a percentage of covered payroll was 23.68%. 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, 2020, 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, 2021, are also included below.

Net Pension Liability

The components of the net pension liability for the plan as of September 30, 2021, (reporting date) and for the year then ended, were as follows:

NOTES TO FINANCIAL STATEMENTS
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	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at September 30, 2019	\$ 10,821,070	\$ 10,028,293	\$ 792,777
Changes for the Year:			
Service Cost	227,090	-	227,090
Interest	832,213	-	832,213
Share Plan Allocation	9,335	-	9,335
Differences Between Expected and Actual Experience	187,031	-	187,031
Changes of Assumptions	(169,198)	-	(169,198)
Contributions - Employer	-	496,735	(496,735)
Contributions - State	-	67,065	(67,065)
Contributions - Employee	-	120,530	(120,530)
Contributions - Buy Back	3,708	3,708	-
Net Investment Income	-	863,448	(863,448)
Benefit Payments, Including Refunds of Contributions	(619,859)	(619,859)	-
Administrative Expenses	-	(52,752)	52,752
Net Changes	470,320	878,875	(408,555)
Balances at September 30, 2020	<u>\$ 11,291,390</u>	<u>\$ 10,907,168</u>	<u>\$ 384,222</u>
		September 30, 2021	
Total Pension Liability		\$ 12,404,374	
Plan Net Position		12,726,614	
Net Pension Liability		<u>\$ (322,240)</u>	
Plan Net Position as a Percentage of Total Pension Liability		102.60%	

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

For the year ended September 30, 2021, the City recognized total pension expense of \$324,021. The City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Deferred Outflows of Resources

Difference Between Expected and Actual Experience	\$ 182,105
Changes of Assumptions	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	35,546
Contributions Made after the Measurement Date	547,372
Total Deferred Outflow of Resources	<u>\$ 765,023</u>

Deferred Inflows of Resources

Difference Between Expected and Actual Experience	\$ -
Changes in Assumptions	126,900
Total Deferred Inflows of Resources	<u>\$ 126,900</u>

NOTES TO FINANCIAL STATEMENTS
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Contributions made after the measurement date (shown above) will be recognized as a reduction of net pension liability in the fiscal year ending September 30, 2022. Other amounts reported as deferred inflows and deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended September 30,	Amount
2022	\$ 11,396
2023	64,852
2024	31,634
2025	(17,131)
2026	-
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, 2021: (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 15.79% and 8.61% for the years ended September 30, 2021 and 2020, respectively.

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of October 1, 2020, updated to September 30, 2021, 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

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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 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, 2021, 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%	3.50%

Discount Rate

The discount rate used to measure the total pension liability was 7.50% for the reporting date of September 30, 2021 (measurement date of 2020).

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, 2021:

	<u>1% Decrease (6.50%)</u>	<u>Current Discount Rate (7.50%)</u>	<u>1% Increase (8.50%)</u>
Net Pension Liability	\$ 1,051,458	\$ (322,240)	\$ (1,473,093)

As of September 30, 2020:

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

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401(a) Money Purchase Plan

The City offers its general employees a single employer defined contribution plan (Defined Plan) created in accordance with Internal Revenue Code Section 401(a). The Defined Plan was established as of March 7, 1994, by adoption of the City Council through Ordinance No. 1994-4. The Defined Plan, available to all full-time employees other than police, provides for an individual investment account. The Defined Plan is administered by the ICMA Retirement Corporation. The Defined Plan does not require a mandatory contribution from participants. The City is obligated to contribute 7% of gross pay for employees with less than ten years of service. Participants with at least ten years of service may elect to contribute up to 9% of gross pay, which the City is required to match. Employees are 100% vested in their personal contributions and receive 100% of investment earnings earned thereon. At September 30, 2021, 36 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	\$ 2,825,643
Employer Contributions Required and Actually Made – 7% of Covered Payroll	197,795

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.

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

	September 30, 2021
Inactive Employees or Beneficiaries	
Currently Receiving Benefits	14
Active Employees	69
Total	83

Funding Policy

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

Actuarial Methods and Assumptions

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

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

For the October 1, 2020, actuarial valuation, the Entry Age Normal Actuarial Cost Method was used. This method determines a service cost rate as a fixed percentage of compensation for each active participant.

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

Other actuarial assumptions are as follows:

Salary Increases	3.00%
Discount Rate	2.14%
Investment Rate of Return	0.0%
Healthcare Cost Trend Rates	7.00% for fiscal year-end 2021, then 7.50% in fiscal 2022, 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.

NOTES TO FINANCIAL STATEMENTS
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Discount Rate. The discount rate used to measure the total OPEB liability was 2.14% as of September 30, 2021, 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.

Annual OPEB Cost and OPEB Obligation

The City's total OPEB liability was measured as of September 30, 2021, and was determined by an actuarial valuation as of October 1, 2020.

Changes in the Total OPEB Liability:

	<u>Total OPEB Liability</u>
Balance at September 30, 2020	\$ 904,225
Changes for the Year:	
Service Cost	18,644
Interest	32,604
Differences Between Expected and Actual Experience	45,543
Changes in Assumptions	105,593
Benefit Payments	<u>(24,437)</u>
Net Changes	177,947
Balance at September 30, 2021	<u>\$ 1,082,172</u>

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

	<u>1%</u> <u>Decrease</u>	<u>Discount</u> <u>Rate</u>	<u>1%</u> <u>Increase</u>
OPEB Liability	\$ 1,249,379	\$ 1,082,172	\$ 946,627

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

	<u>1%</u> <u>Decrease</u>	<u>Healthcare Cost</u> <u>Trend Rates</u>	<u>1%</u> <u>Increase</u>
OPEB Liability	\$ 1,057,941	\$ 1,082,172	\$ 1,111,112

OPEB Expense and Deferred Inflows of Resources Related to OPEB

For the year ended September 30, 2021, the City recognized OPEB expense of \$73,435.

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021
CITY OF NEPTUNE BEACH, FLORIDA

At September 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Deferred Outflows of Resources	
Difference Between Expected and Actual Experience	\$ 39,850
Changes of Assumptions	124,173
Contributions Made After the Measurement Date	<u>37,827</u>
Total Deferred Outflows of Resources	<u>\$ 201,850</u>
Deferred Inflows of Resources	
Difference Between Expected and Actual Experience	<u>\$ 21,837</u>
Total Deferred Inflows of Resources	<u>\$ 21,837</u>

Contributions made after the measurement date (shown above) will be recognized as a reduction of the OPEB liability in the fiscal year ending September 30, 2021. Other amounts reported as deferred inflows and deferred outflows of resources related to OPEB will be recognized in pension expense as follows:

<u>Year Ended September 30,</u>	<u>Amount</u>
2022	\$ 20,687
2023	20,687
2024	20,687
2025	20,687
2026	20,693
Thereafter	38,750

Note 8 - Deferred Compensation Plan

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

Note 9 - Interlocal Agreement

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

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021
CITY OF NEPTUNE BEACH, FLORIDA

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

	<u>Percentage</u>
Atlantic Beach	33.06%
Jacksonville Beach	55.78%
Neptune Beach	<u>11.16%</u>
Total	<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 2021, 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, 2021.

Note 10 - Risk Management

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

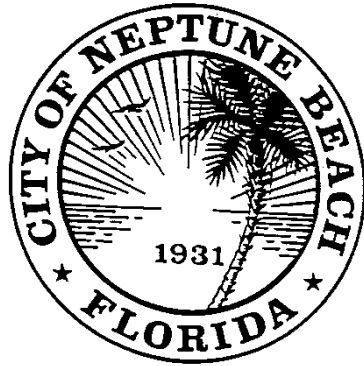
The City is insured by Governmental Risk Insurance Trust (GRIT), to cover the risks of loss related to workers' compensation. The City pays GRIT premiums based on appropriate classifications and rates. The total coverage provided is \$1,000,000 bodily injury by accident, per occurrence; \$1,000,000 bodily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

Note 11 - Other Disclosures

Deficit Fund Balance/Net Position

The following funds had a deficit fund balance/net position as of September 30, 2021:

Sanitation Fund	\$ (116,584)
Jarboe Park CIP Fund	(95,194)



Required Supplementary Information

(Unaudited)

Annual Financial Report

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2021
CITY OF NEPTUNE BEACH, FLORIDA

	Budgeted Amounts		Actual	Variance With
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Revenues				
Taxes	\$ 3,125,179	\$ 3,132,791	\$ 3,153,804	\$ 21,013
Charges for Services	14,300	24,358	23,348	(1,010)
Licenses and Permits	277,700	292,585	239,779	(52,806)
Franchise Fees	598,800	598,800	591,118	(7,682)
Intergovernmental	1,406,100	1,765,078	1,560,022	(205,056)
Fines and Forfeitures	47,500	64,272	64,483	211
Investment Income	63,700	73,410	2,544	(70,866)
Miscellaneous	134,099	194,175	269,555	75,380
Total Revenues	5,667,378	6,145,469	5,904,653	(240,816)
Expenditures				
Current:				
Mayor and Council	37,854	37,854	37,157	697
City Manager	217,493	217,493	180,458	37,035
Finance Department	133,995	253,331	245,792	7,539
City Attorney	150,000	150,000	148,555	1,445
Building Department	557,306	557,306	413,252	144,054
City Clerk	124,765	129,069	123,383	5,686
Non-Department	278,303	278,303	224,072	54,231
Police Department	3,732,541	4,251,399	4,091,305	160,094
Animal Control	70,129	71,638	67,789	3,849
Public Works	703,157	703,157	522,790	180,367
Lifeguards/Beach Cleanup	269,428	293,343	278,698	14,645
(Total Expenditures)	(6,274,971)	(6,942,893)	(6,333,251)	609,642
Excess (Deficiency) of Revenues Over				
(Under) Expenditures	(607,593)	(797,424)	(428,598)	368,826
Other Financing Sources (Uses)				
Transfers in	225,000	225,000	130,000	(95,000)
Transfers (out)	(293,300)	(293,300)	(122,204)	171,096
Total Other Financing Sources (Uses)	(68,300)	(68,300)	7,796	76,096
Net Change in Fund Balance	(675,893)	(865,724)	(420,802)	444,922
Fund Balances, Beginning of Year	675,893	1,305,535	1,793,820	488,285
Fund Balances, End of Year	\$ -	\$ 439,811	\$ 1,373,018	\$ 933,207

**NOTE TO THE BUDGETARY COMPARISON SCHEDULES
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

Note 1 - Budgetary Information

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

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

	September 30, 2021	September 30, 2020	September 30, 2019	September 30, 2018
Total Pension Liability				
Service Cost	\$ 256,002	\$ 227,090	\$ 209,773	\$ 180,830
Interest	873,513	832,213	816,477	786,369
Changes in Excess State Money	-	-	-	(295,249)
Share Plan Allocation	-	9,335	31,455	122,043
Benefit Payments Paid due from Excess State Money Reserve	-	-	-	-
Differences Between Expected and Actual Experience	66,998	187,031	47,624	72,076
Changes of Assumptions	454,161	(169,198)	-	-
Contributions - Buy Back	14,829	3,708	4,969	8,394
Benefit Payments, Including Refunds of Member Contributions	(552,519)	(619,859)	(1,229,292)	(391,041)
Net Change in Total Pension Liability	1,112,984	470,320	(118,994)	483,422
Total Pension Liability - Beginning	11,291,390	10,821,070	10,940,064	10,456,642
Total Pension Liability - Ending (a)	<u>12,404,374</u>	<u>11,291,390</u>	<u>10,821,070</u>	<u>10,940,064</u>
Plan Fiduciary Net Position				
Contributions - Employer	547,372	496,735	430,046	406,116
Contributions - State	-	67,065	124,608	-
Contributions - Employee	132,869	120,530	104,349	98,542
Contributions - Buy Back	14,829	3,708	4,969	8,394
Net Investment Income	1,729,363	863,448	537,577	624,428
Benefit Payments, Including Refunds of Employee Contributions	(552,519)	(619,859)	(1,229,292)	(391,041)
Administrative Expense	(52,468)	(52,752)	(43,191)	(36,599)
Net Change in Plan Fiduciary Net Position	1,819,446	878,875	(70,934)	709,840
Plan Fiduciary Net Position - Beginning	10,907,168	10,028,293	10,099,227	9,389,387
Plan Fiduciary Net Position - Ending (b)	<u>12,726,614</u>	<u>10,907,168</u>	<u>10,028,293</u>	<u>10,099,227</u>
Net Pension Liability - Ending (a) - (b)	<u>\$ (322,240)</u>	<u>\$ 384,222</u>	<u>\$ 792,777</u>	<u>\$ 840,837</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	102.60%	96.60%	92.67%	92.31%
Covered Employee Payroll*	<u>\$ 1,660,865</u>	<u>\$ 1,506,625</u>	<u>\$ 1,304,356</u>	<u>\$ 1,231,774</u>
Net Pension Liability as a Percentage of Covered Employee Payroll	-19.40%	25.50%	60.78%	68.26%

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

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

Notes to Schedule:

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

Changes of Benefit Terms:

For 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.

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

Notes to Schedule

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

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

SCHEDULE OF CONTRIBUTIONS CITY OF NEPTUNE BEACH, FLORIDA

	September 30, 2021	September 30, 2020	September 30, 2019	September 30, 2018
Actuarially Determined Contribution	\$ 393,293	\$ 370,178	\$ 373,568	\$ 337,875
Contributions in Relation to the Actuarially				
Determined Contributions	547,372	554,466	523,199	442,173
Contribution (Excess) Deficiency	<u>\$ (154,079)</u>	<u>\$ (184,288)</u>	<u>\$ (149,631)</u>	<u>\$ (104,298)</u>
Covered Employee Payroll	<u>\$ 1,660,865</u>	<u>\$ 1,506,625</u>	<u>\$ 1,304,356</u>	<u>\$ 1,231,774</u>
Contributions as a Percentage of				
Covered Employee Payroll	32.96%	36.80%	40.11%	35.90%

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

Notes to Schedule:

Valuation Date: October 1, 2019

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

Methods and Assumptions Used to Determine Contribution Rates:

Mortality:

Mortality Rate Healthy Active Lives:

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

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

Mortality Rate Retiree Lives:

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

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

Mortality Rate Beneficiary Lives:

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

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

Mortality Rate Disabled Lives:

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

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

We feel this assumption sufficiently accommodates future mortality improvements.

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

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

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

Interest Rate:

7.50% (prior year 7.75%) per year compounded annually, net of investment related expenses. This is supported by the target asset allocation of the trust and the expected long-term return by asset class.

Retirement Age:

100% upon first eligibility for normal retirement. Prior year 50% at first eligibility for normal retirement. 10% 1 year following first eligibility for normal retirement, and thereafter. The assumed rates of normal retirement were approved in conjunction with an actuarial study dated August 11, 2021.

Early Retirement:

None

Disability Rate:

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

Termination Rate:

Service	Rate
<5	10.0%
5-9	8.0%
10-14	2.0%
15+	1.0%

Salary Increases:

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

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

	September 30, 2021	September 30, 2020	September 30, 2019	September 30, 2018	September 30, 2017	September 30, 2016	September 30, 2015	September 30, 2014
Annual Money-Weighted Rate of Return, Net of Investment Expense	15.79%	8.61%	5.32%	6.63%	12.09%	5.39%	0.19%	9.98%

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

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

Total OPEB Liability	2021	2020	2019	2018
Service Cost	\$ 18,644	\$ 17,847	\$ 23,999	23,300
Interest on the Total OPEB Liability	32,604	31,888	29,501	28,300
Difference Between Expected and Actual Experience	45,543	-	(34,940)	-
Changes of Assumptions and Other Inputs	105,593	7,709	41,594	-
Benefit Payments	(24,437)	(22,627)	(19,046)	(17,800)
Net Change in Total OPEB Liability	177,947	34,817	41,108	33,800
Total OPEB Liability - Beginning	904,225	869,408	828,300	794,500
Total OPEB Liability - Ending	<u>1,082,172</u>	<u>904,225</u>	<u>869,408</u>	<u>828,300</u>
Plan Fiduciary Net Position				
Contributions - Employer	25,937	22,627	19,046	17,800
Benefit Payments, Including Refunds of Employer Contributions	(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>
Covered-Employee Payroll	<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 of Covered-Employee Payroll	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.

Difference Between Expected and Actual Experience. Difference between expected and actual experience reflects the impact of changes to the census data from the prior valuation to the valuation as of September 30, 2020.

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

Fiscal Year Ending September 30, 2021:	2.14%
Fiscal Year Ending September 30, 2020:	3.58%
Fiscal Year Ending September 30, 2019:	3.64%

Also reflected as assumption changes are updated health care costs and premiums, updated health care trend rates, and updated mortality rates.

Benefit Payments. The plan sponsor did not provide actual net benefits paid by the Plan for the fiscal year ending September 30, 2021. 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

Annual Financial Report

**DESCRIPTION OF NON-MAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2021**

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.

Capital Projects Funds

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

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

COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2021
CITY OF NEPTUNE BEACH, FLORIDA

	Special Revenue Funds				
	Police Education Fund	Community Development Block Grant Fund	Convention Development Tax Fund	Forfeiture Proceeds Fund	Street Improvement Fund
Assets					
Equity in Pooled Cash and Cash Equivalents	\$ 16,481	\$ 68,683	\$ 80,257	\$ 5,153	\$ 75,875
Due from Other Governments	309	1,085	6,763	-	5,355
Due from Other Funds	-	-	-	-	-
Total Assets	<u>16,790</u>	<u>69,768</u>	<u>87,020</u>	<u>5,153</u>	<u>81,230</u>
Liabilities and Fund Balances					
Liabilities					
Accounts Payable and Accrued Liabilities	-	428	24	-	6,643
Due to Other Funds	-	-	-	-	-
Total Liabilities	<u>-</u>	<u>428</u>	<u>24</u>	<u>-</u>	<u>6,643</u>
Fund Balances					
Restricted for:					
Public Safety	16,790	-	-	5,153	-
Capital Outlay	-	-	-	-	74,587
Other Purposes	-	-	86,996	-	-
Assigned:					
Community Development	-	69,340	-	-	-
Total Fund Balances	<u>16,790</u>	<u>69,340</u>	<u>86,996</u>	<u>5,153</u>	<u>74,587</u>
Total Liabilities and Fund Balances	<u>\$ 16,790</u>	<u>\$ 69,768</u>	<u>\$ 87,020</u>	<u>\$ 5,153</u>	<u>\$ 81,230</u>

Special Revenue Funds					Capital Projects Fund	
Local Option Gas Tax Fund	Radio Commu-ications Fund	Better Jacksonville Half-Cent Fund	Holiday Décor Fund	Total Special Revenue Funds	Capital Improvement Fund	Total Non-Major Governmental Funds
\$ 89,809	\$ 36,855	\$ 176,725	\$ -	\$ 549,838	\$ -	\$ 549,838
21,952	2,909	61,614	-	99,987	-	99,987
-	-	162,000	-	162,000	-	162,000
111,761	39,764	400,339	-	811,825	-	811,825
-	-	-	-	7,095	-	7,095
-	-	-	-	-	-	-
-	-	-	-	7,095	-	7,095
-	-	-	-	21,943	-	21,943
111,761	39,764	400,339	-	626,451	-	626,451
-	-	-	-	86,996	-	86,996
-	-	-	-	69,340	-	69,340
111,761	39,764	400,339	-	804,730	-	804,730
\$ 111,761	\$ 39,764	\$ 400,339	\$ -	\$ 811,825	\$ -	\$ 811,825

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2021
CITY OF NEPTUNE BEACH, FLORIDA**

	Special Revenue Funds					
	Police Education Fund	Community Development Block Grant Fund	Convention Development Tax Fund	Forfeiture Proceeds Fund	Street Improvement Fund	Local Option Gas Tax Fund
Revenues						
Taxes	\$ -	\$ -	\$ 13,293	\$ -	\$ -	\$ 242,705
Fines and Forfeitures	4,736	-	-	1,000	-	-
Intergovernmental Revenues	-	18,970	-	-	72,146	-
Charges for Services	-	5,035	-	-	-	-
Investment Income	8	-	48	2	32	-
Miscellaneous	-	75,685	-	-	-	-
Total Revenues	<u>4,744</u>	<u>99,690</u>	<u>13,341</u>	<u>1,002</u>	<u>72,178</u>	<u>242,705</u>
Expenditures						
Current:						
Public Safety	2,971	-	-	-	-	-
Public Works	-	-	-	-	45,766	236,151
Culture and Recreation	-	105,545	10,202	-	-	-
Capital Outlay	-	3,029	-	-	-	-
(Total Expenditures)	<u>(2,971)</u>	<u>(108,574)</u>	<u>(10,202)</u>	<u>-</u>	<u>(45,766)</u>	<u>(236,151)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,773</u>	<u>(8,884)</u>	<u>3,139</u>	<u>1,002</u>	<u>26,412</u>	<u>6,554</u>
Other Financing Sources (Uses)						
Transfers in	-	-	-	-	-	-
Transfers (out)	-	-	(10,000)	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(10,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	<u>1,773</u>	<u>(8,884)</u>	<u>(6,861)</u>	<u>1,002</u>	<u>26,412</u>	<u>6,554</u>
Fund Balances (Deficits), Beginning of Year	<u>15,017</u>	<u>78,224</u>	<u>93,857</u>	<u>4,151</u>	<u>48,175</u>	<u>105,207</u>
Fund Balances (Deficits), End of Year	<u>\$ 16,790</u>	<u>\$ 69,340</u>	<u>\$ 86,996</u>	<u>\$ 5,153</u>	<u>\$ 74,587</u>	<u>\$ 111,761</u>

Special Revenue Funds				Capital Projects Fund	Total Non-Major Governmental Funds
Radio Commu- ications Fund	Better Jacksonville Half-Cent Fund	Holiday Décor Fund	Total Special Revenue Funds	Capital Improvement Fund	
\$ -	\$ 576,204	\$ -	\$ 832,202	\$ -	\$ 832,202
18,879	-	-	24,615	-	24,615
-	-	-	91,116	-	91,116
-	-	-	5,035	-	5,035
13	285	-	388	-	388
-	-	-	75,685	-	75,685
18,892	576,489	-	1,029,041	-	1,029,041
-	-	-	2,971	-	2,971
-	-	-	281,917	-	281,917
-	-	5,909	121,656	-	121,656
-	21	-	3,050	382,231	385,281
-	(21)	(5,909)	(409,594)	(382,231)	(791,825)
18,892	576,468	(5,909)	619,447	(382,231)	237,216
-	-	1,252	1,252	360,952	362,204
-	(1,261,931)	-	(1,271,931)	-	(1,271,931)
-	(1,261,931)	1,252	(1,270,679)	360,952	(909,727)
18,892	(685,463)	(4,657)	(651,232)	(21,279)	(672,511)
20,872	1,085,802	4,657	1,455,962	21,279	1,477,241
\$ 39,764	\$ 400,339	\$ -	\$ 804,730	\$ -	\$ 804,730

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2021
CITY OF NEPTUNE BEACH, FLORIDA**

	Police Education Fund			Variance With Final Budget
	Budgeted Amounts		Actual Amounts	Positive (Negative)
	Original	Final		
Revenues				
Fines and Forfeitures	\$ 5,000	\$ 5,000	\$ 4,736	\$ (264)
Investment Income	250	250	8	(242)
Total Revenues	<u> 5,250</u>	<u> 5,250</u>	<u> 4,744</u>	<u> (506)</u>
Expenditures				
Current:				
Public Safety	<u> 5,250</u>	<u> 5,250</u>	<u> 2,971</u>	<u> 2,279</u>
(Total Expenditures)	<u> (5,250)</u>	<u> (5,250)</u>	<u> (2,971)</u>	<u> 2,279</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	1,773	1,773
Fund Balances, Beginning of Year	<u>-</u>	<u>-</u>	<u>15,017</u>	<u>15,017</u>
Fund Balances, End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,790</u>	<u>\$ 16,790</u>

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2021
CITY OF NEPTUNE BEACH, FLORIDA**

	Community Development Block Grant Fund			
	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental Revenue	\$ 44,895	\$ 44,895	\$ 18,970	\$ (25,925)
Charges for Services	72,949	72,949	5,035	(67,914)
Miscellaneous	59,149	59,149	75,685	16,536
Total Revenues	<u>176,993</u>	<u>176,993</u>	<u>99,690</u>	<u>(77,303)</u>
Expenditures				
Current:				
Culture and Recreation	196,993	196,993	108,574	88,419
(Total Expenditures)	<u>(196,993)</u>	<u>(196,993)</u>	<u>(108,574)</u>	<u>88,419</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(20,000)</u>	<u>(20,000)</u>	<u>(8,884)</u>	<u>11,116</u>
Other Financing Sources (Uses)				
Transfers In	20,000	20,000	-	(20,000)
Transfers (Out)	-	-	-	-
Total Other Financing Sources (Uses)	<u>20,000</u>	<u>20,000</u>	<u>-</u>	<u>(20,000)</u>
Net Change in Fund Balance	-	-	(8,884)	(8,884)
Fund Balances (Deficits), Beginning of Year	-	-	78,224	78,224
Fund Balances (Deficits), End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 69,340</u>	<u>\$ 69,340</u>

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2021
CITY OF NEPTUNE BEACH, FLORIDA**

	Convention Development Tax Fund			Variance With Final Budget Positive Negative
	Budgeted Amounts		Actual Amounts	Positive Negative
	Original	Final		
Revenues				
Taxes	\$ 37,000	\$ 37,000	\$ 13,293	\$ (23,707)
Investment Income	500	500	48	(452)
Total Revenues	37,500	37,500	13,341	(24,159)
Expenditures				
Current:				
Culture and Recreation	27,500	27,500	10,202	17,298
(Total Expenditures)	(27,500)	(27,500)	(10,202)	17,298
Excess (Deficiency) of Revenues Over (Under) Expenditures	10,000	10,000	3,139	(6,861)
Other Financing (Uses)				
Transfers (out)	(10,000)	(10,000)	(10,000)	-
Total Other Financing (Uses)	(10,000)	(10,000)	(10,000)	-
Net Change in Fund Balance	-	-	(6,861)	(6,861)
Fund Balances, Beginning of Year	-	-	93,857	93,857
Fund Balances, End of Year	\$ -	\$ -	\$ 86,996	\$ 86,996

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2021
CITY OF NEPTUNE BEACH, FLORIDA**

	Forfeiture Proceeds Fund			Variance With Final Budget Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Revenues				
Fines and Forfeitures	\$ 1,700	\$ 1,700	\$ 1,000	\$ (700)
Investment Income	100	100	2	(98)
Total Revenues	<u> 1,800</u>	<u> 1,800</u>	<u> 1,002</u>	<u> (798)</u>
Expenditures				
Current:				
Public Safety	<u> 1,800</u>	<u> 1,800</u>	<u> -</u>	<u> 1,800</u>
(Total Expenditures)	<u> (1,800)</u>	<u> (1,800)</u>	<u> -</u>	<u> 1,800</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	1,002	1,002
Fund Balances, Beginning of Year	-	-	4,151	4,151
Fund Balances, End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,153</u>	<u>\$ 5,153</u>

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2021
CITY OF NEPTUNE BEACH, FLORIDA**

	Street Improvement Fund			Variance With Final Budget Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Revenues				
Intergovernmental Revenue	\$ 49,500	\$ 49,500	\$ 72,146	\$ 22,646
Investment Income	1,900	1,900	32	(1,868)
Total Revenues	51,400	51,400	72,178	20,778
Expenditures				
Current:				
Public Works	437,900	437,900	45,766	392,134
(Total Expenditures)	(437,900)	(437,900)	(45,766)	392,134
Excess (Deficiency) of Revenues Over (Under) Expenditures	(386,500)	(386,500)	26,412	412,912
Fund Balances, Beginning of Year	386,500	386,500	48,175	(338,325)
Fund Balances, End of Year	\$ -	\$ -	\$ 74,587	\$ 74,587

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2021
CITY OF NEPTUNE BEACH, FLORIDA**

	Local Option Gas Tax Fund			
	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 265,000	\$ 285,098	\$ 242,705	\$ (42,393)
Total Revenues	265,000	285,098	242,705	(42,393)
Expenditures				
Current:				
Public Works	188,341	188,341	236,151	(47,810)
(Total Expenditures)	(188,341)	(188,341)	(236,151)	(47,810)
Excess (Deficiency) of Revenues Over (Under) Expenditures	76,659	96,757	6,554	(90,203)
Other Financing (Uses)				
Transfers (out)	-	-	-	-
Total Other Financing (Uses)	-	-	-	-
Net Change in Fund Balance	76,659	96,757	6,554	(90,203)
Fund Balances, Beginning of Year	-	42,500	105,207	62,707
Fund Balances, End of Year	\$ 76,659	\$ 139,257	\$ 111,761	\$ (27,496)

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2021
CITY OF NEPTUNE BEACH, FLORIDA**

	Better Jacksonville Half-Cent Fund			Variance With Final Budget Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Revenues				
Taxes	\$ 435,400	\$ 435,400	\$ 576,204	\$ 140,804
Investment Income	7,800	7,800	285	(7,515)
Total Revenues	443,200	443,200	576,489	133,289
Expenditures				
Current:				
Capital Outlay	-	-	21	(21)
(Total Expenditures)	-	-	(21)	(21)
Excess (Deficiency) of Revenues Over (Under) Expenditures	443,200	443,200	576,468	133,268
Other Financing Sources (Uses)				
Transfers (out)	(443,200)	(1,261,951)	(1,261,931)	20
Total Other Financing Sources (Uses)	(443,200)	(1,261,951)	(1,261,931)	20
Net Change in Fund Balance	-	(818,751)	(685,463)	133,288
Fund Balances, Beginning of Year	-	659,000	1,085,802	426,802
Fund Balances, End of Year	\$ -	\$ (159,751)	\$ 400,339	560,090

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2021
CITY OF NEPTUNE BEACH, FLORIDA**

	Radio Communication Fund			Variance With Final Budget Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Revenues				
Fines and Forfeiture	\$ 7,700	\$ 7,700	\$ 18,879	\$ 11,179
Investment Income	500	500	13	(487)
Total Revenues	<u>8,200</u>	<u>8,200</u>	<u>18,892</u>	<u>10,692</u>
Expenditures				
Current:				
Public Safety	15,500	15,500	-	15,500
(Total Expenditures)	<u>(15,500)</u>	<u>(15,500)</u>	<u>-</u>	<u>15,500</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(7,300)	(7,300)	18,892	26,192
Fund Balances, Beginning of Year	<u>7,300</u>	<u>7,300</u>	<u>20,872</u>	<u>13,572</u>
Fund Balances, End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 39,764</u>	<u>\$ 39,764</u>

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2021
CITY OF NEPTUNE BEACH, FLORIDA**

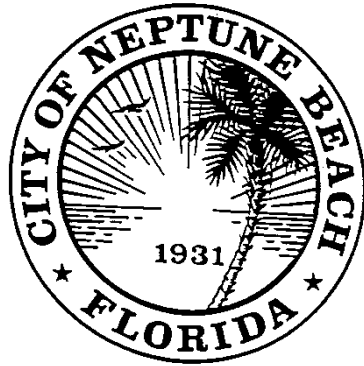
	Holiday Décor Fund			Variance With Final Budget Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Revenues				
Miscellaneous	\$ 13,000	\$ 13,000	\$ -	\$ (13,000)
Total Revenues	13,000	13,000	-	(13,000)
Expenditures				
Current:				
Culture and Recreation	13,000	13,000	5,909	7,091
(Total Expenditures)	(13,000)	(13,000)	(5,909)	7,091
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	(5,909)	(5,909)
Other Financing Sources (Uses)				
Transfers in	-	-	1,252	1,252
Total Other Financing Sources (Uses)	-	-	1,252	1,252
Net Change in Fund Balance	-	-	(4,657)	(4,657)
Fund Balances, Beginning of Year	-	-	4,657	4,657
Fund Balances, End of Year	\$ -	\$ -	\$ -	\$ -

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2021
CITY OF NEPTUNE BEACH, FLORIDA**

	Capital Improvement Fund			Variance With Final Budget Positive Negative
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Total Revenues	\$ -	\$ -	\$ -	\$ -
Expenditures				
Capital Outlay	-	-	382,231	(382,231)
(Total Expenditures)	-	-	(382,231)	(382,231)
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	(382,231)	(382,231)
Other Financing Sources (Uses)				
Transfers in	138,500	138,500	360,952	222,452
Total Other Financing Sources (Uses)	138,500	138,500	360,952	222,452
Net Change in Fund Balance	138,500	138,500	(21,279)	117,221
Fund Balances, Beginning of Year	-	-	21,279	21,279
Fund Balances, End of Year	\$ 138,500	\$ 138,500	\$ -	\$ 138,500

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2021
CITY OF NEPTUNE BEACH, FLORIDA**

	Jarboe Park CIP Fund			Variance With Final Budget Positive Negative
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Revenues				
Miscellaneous	\$ -	\$ -	\$ 20,000	\$ 20,000
Total Revenues	-	-	20,000	20,000
Expenditures				
Current:				
Culture and Recreation			-	-
Capital Outlay	350,000	1,203,955	1,201,705	2,250
(Total Expenditures)	(350,000)	(1,203,955)	(1,201,705)	2,250
Excess (Deficiency) of Revenues Over (Under) Expenditures	(350,000)	(1,203,955)	(1,181,705)	22,250
Other Financing Sources (Uses)				
Transfers in	350,000	1,021,931	1,021,931	-
Total Other Financing Sources (Uses)	350,000	1,021,931	1,021,931	-
Net Change in Fund Balance	-	(182,024)	(159,774)	22,250
Fund Balances, Beginning of Year	-	62,024	64,580	2,556
Fund Balances, End of Year	\$ -	\$ (120,000)	\$ (95,194)	\$ 24,806



Schedule of Expenditures of the City of Jacksonville Grant Funds

Annual Financial Report

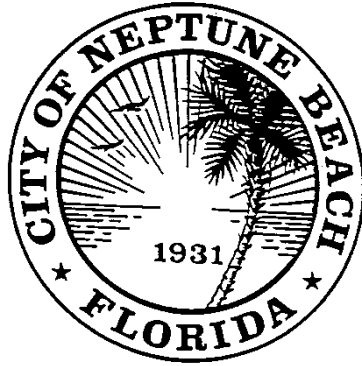
**SCHEDULE OF EXPENDITURES OF THE CITY OF JACKSONVILLE GRANT FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2021
CITY OF NEPTUNE BEACH, FLORIDA**

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

Contract Number: 6494-52

Project Number: 004604

	Approved Budget	Actual
Receipts	\$ 44,895	\$ 18,970
Total Receipts	<u>44,895</u>	<u>18,970</u>
Expenditures		
Salaries/Wages	38,229	16,153
Employee Benefits	6,666	2,817
(Total Expenditures)	<u>(44,895)</u>	<u>(18,970)</u>
Excess (Deficiencies) of Source Over (Under) Expenditures	<u>\$ -</u>	<u>\$ -</u>



Other Reports

Annual Financial Report

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

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Neptune Beach, Florida (the City) as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated May 19, 2023.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify deficiencies in internal control, described below as 2021-01, 2021-02, 2021-03, 2021-04, 2021-05, and 2021-06, as items that we consider to be material weaknesses. We also identified a deficiency in internal control, described below as 2021-07, that we consider to be a significant deficiency:

CERTIFIED PUBLIC ACCOUNTANTS

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An Independent Member of the BDO Alliance USA

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

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

2021-01 – 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, final audit fieldwork had to be delayed because the trial balance was not complete. After the trial balance was received for the audit, significant adjustments were identified by City staff or auditors to complete the financial close for the year. During final fieldwork, we identified several areas that required audit adjustments to correct the City's accounting records. The following audit adjustments were material to the financial statements:

- Record approximately \$1,808,000 of pension investment earnings and \$685,000 of pension expenses in the Police Pension Fund.
- Remove prior year accounts payable of approximately \$132,000 from the General Fund, \$104,000 from the Sanitation Fund, and \$16,000 from non-major funds.
- Record approximately \$70,000 of local half cent sales tax revenues and receivables in the General Fund.
- Remove revenues of approximately \$1,818,000 of unearned *American Rescue Plan Act* funds and record them as an unearned revenue liability.
- Reduce pooled cash in the General Fund by approximately \$5,560,000 to properly reconcile cash.
- Reduce Lifeguard/Beach Cleanup revenue in the General Fund by approximately \$115,000.
- Reduce accrued payroll by approximately \$427,000 in the General Fund, and \$69,000 in non-major funds to accrue the correct payroll liability.
- Record revenues and receivables of approximately \$256,000 in the Water and Sewer Fund and \$75,000 in the Sanitation Fund for unbilled utilities revenue.
- Clear approximately \$127,000 of contributions to the 401(a) retirement plan out of the General Fund clearing accounts.

Effects—As a result, the audit was not completed by the statutory due date of June 30, 2022, 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.

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

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

2021-02 – Cash Reconciliation

Condition—Timely bank reconciliations prepared and reviewed by personnel who are independent of the cashiering function are a key financial control. We noted cash reconciliations were not completed until several months after fiscal year-end. After the reconciliations were completed, the auditors discovered a transaction of about \$846,000 that was included in the reconciliation for two separate bank accounts and had to be removed from one of the accounts to properly reconcile cash. After the reconciliations were completed audit entries reducing cash and revenue by about \$5,560,000 were necessary to match the general ledger to the reconciled cash balances. Additionally, the City utilizes a clearing fund to account for withholdings and payments of various employee deductions for items such as taxes, insurance, and benefits. This clearing fund was not reconciled during the fiscal year. Therefore, adjustments were necessary to record about \$127,000 of payments to the clearing fund.

Effect—Without timely completion of bank reconciliations there is a greater risk that material errors or fraudulent transactions would go undetected. Additionally, cash would have been materially overstated if the adjustments noted above had not been identified during the audit process.

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 reconciling the clearing fund each month.

2021-03 – 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 five pay periods for which there was no signature on the payroll reports documenting this review took place. Four of these pay periods were the last four pay periods of the fiscal year, corresponding to the period of time when the CFO position was vacant. The fifth pay period was a special Christmas bonus payroll.

Effect—Although we did not note any actual discrepancies between these reports, a lack of a review of payroll disbursements could result in erroneous or fraudulent payments that are not prevented or detected and corrected on a timely basis.

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 payroll in the event that the CFO is unavailable to review a particular pay period.

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

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

2021-04 – 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 2021. 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.

2021-05 – Segregation of Duties

Condition—Due to the unexpected turnover in the finance department previously described, there were times during the year where the City Manager had multiple duties that should be segregated among different positions, including:

- Approval of purchase orders.
- Authority to establish vendors for wire transfers.
- Ability to approve wire transfer transactions.

Additionally, turnover led to a lack of consistent retention of documentation of approval of daily cash receipts reconciliations to the Utility Billing System, along with the documentation issues noted for cash reconciliation, approval of payroll reports, and approval of manual journal entries previously.

Effect—The lack of segregation of incompatible duties could result in errors or fraud that are not prevented, or detected and corrected, on a timely basis.

Recommendation—We recommend the City evaluate the effect of any changes in job duties when turnover occurs to ensure that no one is performing incompatible duties, and that no necessary duties are being neglected.

2021-06 – 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 \$226,000. The clearing fund also contains a cash balance of negative \$226,000. To date, the City has not been able to determine the cause of these negative balances or the appropriate corrective adjustments.

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

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

Effect—Significant unexplained balances in the clearing fund could indicate a misstatement of cash, liabilities, revenues, expenditures, or some combination of these. Because documentation could not be obtained to substantiate these unusual balances, the audit opinion has been qualified with respect to them.

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.

2021-07 – Unrecorded Liabilities

Condition—Audit testing of liabilities discovered four transactions recorded as expenditures in fiscal year 2022 that should have been accrued as liabilities in fiscal year 2021. The total unrecorded liabilities related to these four transactions was approximately \$84,000.

Effect—Failure to properly record liabilities for expenditures incurred during the fiscal year could result in material misstatement of the financial statements or violations of budgetary compliance if the corrections are made after the budget is no longer able to be amended.

Recommendation—We recommend that the City evaluate its process for capturing and recording liabilities to ensure that all liabilities are properly recorded in a timely manner.

Compliance and Other Matters

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

2021-08 – Police Pension 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. Delays in closing the fiscal year 2021 financial year led to the audit not being completed in time for compliance with this requirement.

Effect—The Division has withheld premium tax funds from the City's Police Pension Plan for fiscal year 2021 for failure to comply with this requirement.

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

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

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.

2021-09 – Budgetary Compliance

Condition—During our testing of budgetary compliance, we noted over-expenditures of budget amounting to \$382,231 in the Capital Improvement Fund and \$47,810 in the Local Option Gas Tax Fund.

Effect—Expenditures exceeded the legally authorized level of spending for the Capital Improvement Fund and the Local Option Gas Tax Fund.

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

Response to Findings

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

Purpose of this Report

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



May 19, 2023
Gainesville, Florida

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

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

We have examined the City of Neptune Beach, Florida's (the City) compliance with Section 218.415, Florida Statutes, during the fiscal year ended September 30, 2021. Management is responsible for the City's compliance with those requirements. Our responsibility is to express an opinion on the City's compliance based on our examination.

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

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

In our opinion, the City complied, in all material respects, with the aforementioned requirements during the fiscal year ended September 30, 2021.

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.



May 19, 2023
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, 2021, and have issued our report thereon dated May 19, 2023.

Auditor's Responsibility

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

Other Reporting Requirements

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*; and Independent Accountant's Report on an examination conducted in accordance with 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, which are dated May 19, 2023, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., *Rules of the Auditor General*, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding 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 #	2019-2020 FY Finding #	2018-2019 FY Finding #
2021-01	2020-01	2019-01
2021-02	2020-02	N/A
2021-09	2020-04	N/A

Official Title and Legal Authority

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

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

MANAGEMENT LETTER

Financial Condition and Management

Sections 10.554(1)(i)5.a. and 10.556(7), *Rules of the Auditor General*, require that we apply appropriate procedures and 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.

2021-10 – 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.

Purpose of this Letter

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

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

MANAGEMENT LETTER

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

May 19, 2023
Gainesville, Florida



Stefen Wynn, M.P.A.
City Manager

May 19, 2023

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

RE: Response to Management Letter Dated May 19, 2023

Management Letter

2021-01 – 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, final audit fieldwork had to be delayed because the trial balance was not complete. After the trial balance was received for the audit, significant adjustments were identified by City staff or auditors to complete the financial close for the year. During final fieldwork, we identified several areas that required audit adjustments to correct the City's accounting records. The following audit adjustments were material to the financial statements:

- Record approximately \$1,808,000 of pension investment earnings and \$685,000 of pension expenses in the Police Pension Fund.
- Remove prior year accounts payable of approximately \$132,000 from the General Fund, \$104,000 from the Sanitation Fund, and \$16,000 from non-major funds.
- Record approximately \$70,000 of local half cent sales tax revenues and receivables in the General Fund.
- Remove revenues of approximately \$1,818,000 of unearned American Rescue Plan Act funds and record them as an unearned revenue liability.
- Reduce pooled cash in the General Fund by approximately \$5,560,000 to properly reconcile cash.
- Reduce Lifeguard/Beach Cleanup revenue in the General Fund by approximately \$115,000.
- Reduce accrued payroll by approximately \$427,000 in the General Fund, and \$69,000 in non-major funds to accrue the correct payroll liability.
- Record revenues and receivables of approximately \$256,000 in the Water and Sewer Fund and \$75,000 in the Sanitation Fund for unbilled utilities revenues.
- Clear approximately \$127,000 of contributions to the 401(a) retirement plan out of the General Fund clearing accounts.

Effect – As a result, the audit was not completed by the statutory due date of June 30, 2022 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 2021-01

The City did experience was still experiencing turnover in 2021 with a Chief Financial Officer, and with the City's Accountant, a long-tenured employee. The City understands the importance of continuity of operations in the event of periodic absences or unexpected turnover of key personnel. With the departure of key staff in the Finance Department, the City has taken the opportunity to evaluate job roles and responsibilities, and is in the process of creating desk manuals to better understand and update position processes.

2021-02 – Cash Reconciliation

Condition - Timely bank reconciliations prepared and reviewed by personnel who are independent of the cashing function are a key financial control. We noted cash reconciliations were not completed until several months after fiscal year-end. After the reconciliations were completed, the auditors discovered a transaction of about \$846,000 that was included in the reconciliation for two separate bank accounts and had to be removed from one of the accounts to properly reconcile cash. After the reconciliations were completed audit entries reducing cash and revenue by about \$5,560,000 were necessary to match the general ledger to the reconciled cash balances. Additionally, the City utilizes a clearing fund to account for withholdings and payments of various employee deductions for items such as taxes, insurance, and benefits. This clearing fund was not reconciled during the fiscal year. Therefore, adjustments were necessary to record about \$127,000 of payments to the clearing fund.

Effect- Without timely completion of bank reconciliations there is a greater risk that material errors or fraudulent transactions would go undetected. Additionally, cash would have been materially overstated if the adjustments noted above had not been identified during the audit process.

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 reconciling the clearing fund each month.

Management Response to Comment 2021-02

Management concurs with the recommendation and recognizes that monthly reconciliation of bank accounts to the general ledger is a key internal control. Procedures are being updated to ensure monthly reconciliation of bank statements happens in a timely and accurate manner. Department

Heads, employees in the Finance Department and Utility Billing employees completed an Internal Controls training on 9/28/2021.

2021-03 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 five pay periods for which there was no signature on the payroll reports documenting this review took place. Four of these pay periods were the last four pay periods of the fiscal year, corresponding to the period of time when the CFO position was vacant. The fifth pay period was a special Christmas bonus payroll.

Effect - Although we did not note any actual discrepancies between these reports, a lack of a review of payroll disbursements could result in erroneous or fraudulent payments that are not prevented or detected and corrected on a timely basis.

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 payroll in the event that the CFO is unavailable to review a particular pay period.

Management Response to Comment 2021-03

Management concurs with the recommendation and recognizes that consistent review of payroll processing is critical in avoiding fraud. Management is currently documenting the process to ensure that payroll reports are reviewed even when there is a gap in the Chief Financial Officer position.

2021-04 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 2021. 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 2020-04

Management understands the need to have someone review and post manual journal entries other than the person that enters them. The City intends to implement an integrated, "enterprise" suite to provide more automation and visibility into its operations.

2021-05 Segregation of Duties

Condition - Due to the unexpected turnover in the finance department previously described, there were times during the year where the City Manager had multiple duties that should be segregated among different positions, including:

- Approval of purchase orders.
- Authority to establish vendors for wire transfers.
- Ability to approve wire transfer transactions.

Additionally, turnover led to a lack of consistent retention of documentation of approval of daily cash receipts reconciliations to the Utility Billing System, along with the documentation issues noted for cash reconciliation, approval of payroll reports, and approval of manual journal entries previously.

Effect - The lack of segregation of incompatible duties could result in errors or fraud that are not prevented, or detected and corrected, on a timely basis.

Recommendation - We recommend the City evaluate the effect of any changes in job duties when turnover occurs to ensure that no one is performing incompatible duties, and that no necessary duties are being neglected.

Management Response to Comment 2021-05

During this time of employee turnover the City is taking the opportunity to review all duties and responsibilities. The City is also improving its purchase order approval process with the implementation of a new ERP platform. The authority to establish vendors for wire transfers lies with the Chief Financial Officer since the Accountants cannot create new wire templates. The breakdown of controls happens when there is turnover at the Chief Financial Officer position.

2021-06 – 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 \$226,000. The clearing fund also contains a cash balance of negative \$226,000. 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. Because documentation could not be obtained to substantiate these unusual balances, the audit opinion has been qualified with respect to them.

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 2021-06

Management concurs with the recommendation and recognizes the importance of reconciling the clearing accounts. The City believes that the implementation of the new accounting ERP will aid in not making entries that aren't properly recorded in the clearing accounts.

2021-07 – Unrecorded Liabilities

Condition - Audit testing of liabilities discovered four transactions recorded as expenditures in fiscal year 2022 that should have been accrued as liabilities in fiscal year 2021. The total unrecorded liabilities related to these four transactions was approximately \$84,000.

Effect - Failure to properly record liabilities for expenditures incurred during the fiscal year could result in material misstatement of the financial statements or violations of budgetary compliance if the corrections are made after the budget is no longer able to be amended.

Recommendation - We recommend that the City evaluate its process for capturing and recording liabilities to ensure that all liabilities are properly recorded in a timely manner.

Management Response to Comment 2021-07

Management concurs with the recommendation and recognizes the impact the unrecorded liabilities have on the current and following years. The City believes that the implementation of the new accounting ERP will aid in capturing expenses even when there is turnover at the accountant positions.

2021-08 – Police Pension 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. Delays in closing the fiscal year 2021 financial year led to the audit not being completed in time for compliance with this requirement.

Effect - The Division has withheld premium tax funds from the City's Police Pension Plan for fiscal year 2021 for failure to comply with this requirement.

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 2021-08

Management concurs with the recommendation and recognizes the impact of not reporting in a timely manner. Management is implementing a plan to get the Accounting department caught up

on all reporting by hiring additional people. Also, the implementation of a new ERP system should make reporting to the auditors of the pension plan much easier.

2021-09 – Budgetary Compliance

Condition – During our testing of budgetary compliance, we noted over-expenditures of budget amounting to \$382,231 in the Capital Improvement Fund and \$47,810 in the Local Option Gas Tax Fund.

Effect - Expenditures exceeded the legally authorized level of spending for the Capital Improvement Fund and the Local Option Gas Tax Fund.

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 2021-09

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

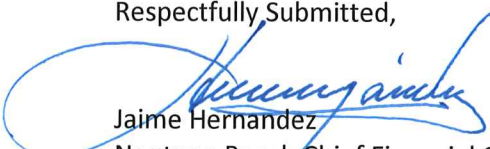
2021-10 – Sanitation Fund Deficit Cash Position

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.

Management Response to Comment 2021-10

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

Respectfully Submitted,



Jaime Hernandez
Neptune Beach Chief Financial Officer
116 First Street
Neptune Beach, FL 32266
cfo@nbfl.us

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