



April 6, 2022

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

We have audited the financial statements of the City of St. Augustine Beach, Florida (the City) as of and for the year ended September 30, 2021, and have issued our report thereon dated April 6, 2022. Professional standards require that we advise you of the following matters relating to our audit.

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

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

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

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

We have provided our findings regarding significant control deficiencies over financial reporting and other matters noted during our audit in a separate letter to you dated April 6, 2022.

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

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

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

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

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

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

### *Significant Accounting Policies*

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the City is included in Note 1 to the financial statements. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during the year. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

### *Significant Accounting Estimates*

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements are:

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

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

### *Financial Statement Disclosures*

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

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

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

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

Note 13 to the financial statements describes the COVID-19 pandemic and potential effect.

Note 16 to the financial statements summarizes recently issued Governmental Accounting Standards Board pronouncements.

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

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

### **Uncorrected and Corrected Misstatements**

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

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

- Approximately \$292,000, \$333,000 and \$625,000 adjustment to correct beginning fund balance in General Fund, Road and Bridge Fund and Impact Fee Fund, respectively.
- Approximately \$110,000 adjustment to fully transfer impact fee funds from General Fund to the Impact Fee Fund and an approximately \$339,000 adjustment to fully transfer impact fee funds from the Road and Bridge Fund to the Impact Fee Fund.
- Approximately \$73,000 adjustment to correct due to/from other funds balances.
- Approximately \$150,000 adjustment to record a revenue accrual related to franchise fees and State revenues.
- Approximately \$450,000 adjustment to record transfers of remaining General Fund and Road and Bridge fund balance restricted for impact fees.

To the Honorable Mayor and City Commission Members,  
City of St. Augustine Beach, Florida  
April 6, 2022  
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### **Disagreements with Management**

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

### **Representations Requested from Management**

We have requested certain representations from management that are included in the management representation letter dated April 6, 2022.

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

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

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

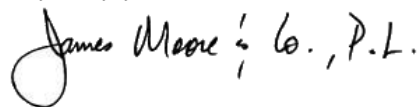
In the normal course of our professional association with the City, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the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

### **Other Matters**

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

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

Very truly yours,

A handwritten signature in black ink that reads "James Moore & Co., P.L." The signature is written in a cursive, flowing style.

JAMES MOORE & CO., P.L.

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

**FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2021**

**CITY OF ST. AUGUSTINE BEACH, FLORIDA  
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## INDEPENDENT AUDITORS' REPORT

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and each major fund of the City of St. Augustine 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 Responsibility for the Financial Statements***

The City's 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.

### ***Auditors' Responsibility***

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

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

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

## ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the City, as of September 30, 2021, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

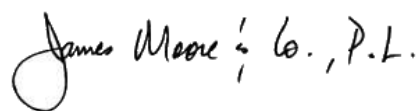
## **Other Matters**

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated April 6, 2022, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "James Moore & Co., P.L." The signature is written in a cursive, flowing style.

Daytona Beach, Florida  
April 6, 2022



**CITY OF ST. AUGUSTINE BEACH  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2021**

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

**Financial Highlights**

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$22,852,957 (net position). The governments' total net position increased by \$2,492,118.
- As of the close of the current fiscal year, the City of St. Augustine Beach's governmental funds reported a combined ending fund balance of \$8,128,976 an increase of \$2,433,281. The unassigned General Fund balance available for spending at the City's discretion is \$2,343,828.

**Overview of the Financial Statements**

This discussion and analysis are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

**Government-wide Financial Statements**

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

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

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

Both government-wide financial statements distinguish functions of the City that are principally supported by taxes, licenses and permits, and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, physical environment (solid waste), human services, transportation and culture recreation. The City currently does not have any functions that would be classified as business-type activities.

**Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of St. Augustine Beach, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**CITY OF ST. AUGUSTINE BEACH  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2021**

**Governmental Funds**

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

The City maintains five major governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, road and bridge fund, impact fee fund, debt service fund, and other governmental funds.

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

**Notes to the Financial Statements**

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

**Government-Wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of St. Augustine Beach, assets and deferred outflows exceeded liabilities and deferred inflows by \$22,852,957 or a 12.24% increase at the close of the most recent fiscal year. The following table reflects the condensed statement of net position for the current and prior years. For a more detail see the Statement of Net Position on page 8.

**Net Position**

|                                   | <b>2021</b>                 | <b>2020</b>                 |
|-----------------------------------|-----------------------------|-----------------------------|
| Current and Other Assets          | \$ 8,413,109                | \$ 5,899,389                |
| Capital Assets                    | 29,030,026                  | 28,767,268                  |
| Total Assets                      | <u>37,443,135</u>           | <u>34,666,657</u>           |
| Deferred Outflows of Resources    | <u>1,263,385</u>            | <u>2,226,269</u>            |
| Long-term Liabilities Outstanding | 11,737,910                  | 15,960,753                  |
| Other Liabilities                 | <u>379,273</u>              | <u>306,552</u>              |
| Total Liabilities                 | <u>12,117,183</u>           | <u>16,267,305</u>           |
| Deferred Inflows of Resources     | <u>3,735,930</u>            | <u>264,782</u>              |
| Net Position:                     |                             |                             |
| Net Investment in Capital Assets  | 21,628,343                  | 20,885,798                  |
| Restricted                        | 2,467,871                   | 2,099,223                   |
| Unrestricted                      | <u>(1,243,257)</u>          | <u>(2,624,182)</u>          |
| Total Net Position                | <u><u>\$ 22,852,957</u></u> | <u><u>\$ 20,360,839</u></u> |

**CITY OF ST. AUGUSTINE BEACH  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2021**

At the end of the current fiscal year, the government's liabilities decreased by \$4,149,672 or 25.5% which can be attributed to a decrease in Long Term liabilities of \$4,222,843 comprised of a decrease in Net Pension Liability \$5,033,842, offset by an increase in Capital Leases \$47,171.

Ninety-Five percent (95%) of the City's net position reflect its investment in capital assets (e.g. land, buildings, improvements, infrastructure and equipment) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of St. Augustine Beach's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

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

The government's net position increased by \$2,492,118 in the current fiscal year. The following table reflects the condensed Statement of Activities for the current and prior years. See page 9 for more detail.

**Statement of Activities**

|                                    | <u>2021</u>          | <u>2020</u>          |
|------------------------------------|----------------------|----------------------|
| Revenues:                          |                      |                      |
| Program Revenues:                  |                      |                      |
| Charges for Services               | \$ 1,415,859         | \$ 998,743           |
| Operating Grants and Contributions | 822,791              | 296,910              |
| Capital Grants and Contributions   | 633,698              | 241,946              |
| General Revenues:                  |                      |                      |
| Property Taxes                     | 4,174,399            | 3,878,298            |
| Other Taxes                        | 2,984,185            | 2,487,112            |
| Other                              | 23,785               | 68,094               |
| Total Revenues                     | <u>10,054,717</u>    | <u>7,971,103</u>     |
| Expenses:                          |                      |                      |
| General Government                 | 1,933,492            | 1,999,989            |
| Public Safety                      | 3,021,522            | 3,326,466            |
| Physical Environment               | 1,312,948            | 1,323,476            |
| Transportation                     | 803,205              | 916,695              |
| Culture and Recreation             | 264,677              | 104,286              |
| Interest on Long-term Debt         | 226,755              | 240,354              |
| Total Expenses                     | <u>7,562,599</u>     | <u>7,911,266</u>     |
| Change in Net Position             | 2,492,118            | 59,837               |
| Net Position - October 1           | 20,360,839           | 20,301,002           |
| Net Position - September 30        | <u>\$ 22,852,957</u> | <u>\$ 20,360,839</u> |

**CITY OF ST. AUGUSTINE BEACH  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2021**

**Financial Analysis of the Governmental Funds**

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assess the City of St. Augustine Beach's financing requirements. Unassigned fund balance may serve as a useful measure of a City's net resources available for spending at the end of the fiscal year. As of September 30, 2021, fund balances were \$8,128,976 an increase of \$2,433,281 in comparison with the prior year. This includes \$2,343,828 in Unassigned Fund Balance for the General Fund which would be available for spending at the City's discretion.

The General Fund's fund balance increased by \$1,229,566 from \$2,615,359 to \$3,844,925. The increase in fund balance is a result of additional funds received from CARES Act revenues from St. Johns County and excess revenues over expenditures.

The Road and Bridge fund balance decreased by \$536,922, from \$541,262 to \$4,340.

The debt service fund has a fund balance of \$3,012,408. This is an increase of \$473,334 in comparison with the prior year. The revenues are generated from voted debt millage of 0.5 mills and transfers from General Fund per the requirement to budget and appropriate funds for the 2016A, 2016B, and 2016D revenue bonds. The voted debt millage is set to sunset in 2028, at which time a portion of the fund balance will satisfy the remaining debt service payments for 2009 and 2016C revenue bonds.

Impact Fee fund was established this year, per Florida State Statute. Fund balance for this year reflects \$1,349,610. Going forward, all impact fee activity will be recorded in the Impact Fee Fund.

**Budgetary Highlights**

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

General Fund

A comparison of the budget versus actual for the General Fund can be found on page 35. As of September 30, 2021, the City received more than the overall budgeted amount for revenues and spent less than the budgeted amounts for expenditures.

Road and Bridge Fund

A comparison of the budget versus actual for the Road and Bridge Fund can be found on page 36. The City made the decision to postpone several projects due to the manpower and supply shortages. As of September 30, 2021, the City received more than the anticipated amount of revenues for grant reimbursements, but was able to reduce the expenditures even further, resulting in an excess of revenues over expenditures.

**Capital Assets**

The City's investment in capital assets as of September 30, 2021, amounts to \$29,030,026 (net of accumulated depreciation). See Note 6 for details. Capital assets include land, buildings and improvements, machinery and equipment, and infrastructure. The total increase in the City's investment in capital assets net of depreciation for the current fiscal year was 0.9%.

**CITY OF ST. AUGUSTINE BEACH  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2021**

**Debt Administration**

The City decreased its notes and bonds payable during the current fiscal year by \$527,828, due to its normally scheduled debt service payments, which is a decrease of 6.9% percent. Capital leases payable increased by \$140,796 due to new capital leases and decreased by \$92,755, due to normal lease payments made during the year for a net increase of \$48,041 or 20.6%. See Note 8 for details.

**Economic Factors**

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

**Request for Information**

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

**CITY OF ST. AUGUSTINE BEACH, FLORIDA**  
**STATEMENT OF NET POSITION**  
**SEPTEMBER 30, 2021**

|   | <b>Governmental<br/>Activities</b> |
|---|------------------------------------|
| <b>ASSETS</b>                             |                                    |
| Cash and cash equivalents                 | \$ 5,118,027                       |
| Investments                               | 2,318,953                          |
| Receivables, net                          | 185,741                            |
| Due from other governments                | 713,577                            |
| Inventories                               | 5,394                              |
| Prepays                                   | 71,417                             |
| Capital assets:                           |                                    |
| Non-depreciable capital assets            | 15,159,941                         |
| Other capital assets, net of depreciation | 13,870,085                         |
| Total assets                              | <u>37,443,135</u>                  |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>     |                                    |
| Deferred outflows related to pensions     | 1,263,385                          |
| Total deferred outflows of resources      | <u>1,263,385</u>                   |
| <b>LIABILITIES</b>                        |                                    |
| Accounts payable                          | 191,777                            |
| Accrued payroll and employee benefits     | 82,321                             |
| Customer deposits                         | 1,500                              |
| Unearned revenue                          | 3,000                              |
| Due to other governments                  | 5,535                              |
| Accrued interest payable                  | 95,590                             |
| Noncurrent liabilities:                   |                                    |
| Due within one year:                      |                                    |
| Bonds and notes payable                   | 522,699                            |
| Capital leases                            | 116,319                            |
| Compensated absences                      | 54,629                             |
| Due in more than one year:                |                                    |
| Bonds and notes payable                   | 6,598,183                          |
| Capital leases                            | 164,482                            |
| Compensated absences                      | 309,566                            |
| Total OPEB liability                      | 1,948,061                          |
| Net pension liability                     | 2,023,971                          |
| Total liabilities                         | <u>12,117,633</u>                  |
| <b>DEFERRED INFLOWS OF RESOURCES</b>      |                                    |
| Deferred inflows related to pensions      | 3,735,930                          |
| Total deferred inflows of resources       | <u>3,735,930</u>                   |
| <b>NET POSITION</b>                       |                                    |
| Net investment in capital assets          | 21,628,343                         |
| Restricted for:                           |                                    |
| Capital expansion                         | 1,349,610                          |
| Transportation                            | 4,340                              |
| Law enforcement - forfeiture and seizure  | 35,817                             |
| Building code enforcement                 | 738,469                            |
| Debt service                              | 339,635                            |
| Unrestricted                              | (1,243,257)                        |
| Total net position                        | <u>\$ 22,852,957</u>               |

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

**CITY OF ST. AUGUSTINE BEACH, FLORIDA  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

| <b>Functions/Programs</b>     | <b>Expenses</b>     | <b>Program Revenues</b>         |   |   | <b>Net (Expense)<br/>Revenue and<br/>Changes in<br/>Net Position</b> |
|-------------------------------|---------------------|---------------------------------|---|---|--|
|                               |                     | <b>Charges for<br/>Services</b> | <b>Operating<br/>Grants and<br/>Contributions</b> | <b>Capital<br/>Grants and<br/>Contributions</b> |  |
| Governmental activities:      |                     |                                 |   |   |  |
| General government            | \$ 1,933,492        | \$ 158,442                      | \$ 586,839  | \$ 20,142                                       | \$ (1,168,069)   |
| Public safety                 | 3,021,522           | 517,686                         | 1,325   | 14,110  | (2,488,401)  |
| Physical environment          | 1,312,948           | 680,641                         | 211,627   | -   | (420,680)  |
| Transportation                | 803,205             | 53,120                          | 20,000  | 573,651   | (156,434)  |
| Culture and recreation        | 264,677             | 5,970                           | 3,000   | 25,795  | (229,912)  |
| Interest on long-term debt    | 226,755             | -                               | -   | -   | (226,755)  |
| Total governmental activities | <u>\$ 7,562,599</u> | <u>\$ 1,415,859</u>             | <u>\$ 822,791</u>                                 | <u>\$ 633,698</u>                               | <u>(4,690,251)</u>   |
| General revenues:             |                     |                                 |   |   |  |
| Property taxes                |                     |                                 |   |   | 4,174,399  |
| Sales and use taxes           |                     |                                 |   |   | 1,161,918  |
| Franchise and utility taxes   |                     |                                 |   |   | 516,474  |
| Public service taxes          |                     |                                 |   |   | 691,965  |
| Other taxes and fees          |                     |                                 |   |   | 613,828  |
| Investment earnings (loss)    |                     |                                 |   |   | 6,604  |
| Miscellaneous revenues        |                     |                                 |   |   | 17,181   |
| Total general revenues        |                     |                                 |   |   | <u>7,182,369</u>   |
| Change in net position        |                     |                                 |   |   | 2,492,118  |
| Net position - beginning      |                     |                                 |   |   | 20,360,839   |
| Net position - ending         |                     |                                 |   |   | <u>\$ 22,852,957</u>   |

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

**CITY OF ST. AUGUSTINE BEACH, FLORIDA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2021**

|  | <b>General<br/>Fund</b>    | <b>Road and<br/>Bridge</b> | <b>Impact<br/>Fee</b>      | <b>Debt<br/>Service</b>    | <b>Weir<br/>Project</b>  | <b>Total<br/>Governmental<br/>Funds</b> |
|--|----------------------------|----------------------------|----------------------------|----------------------------|--------------------------|---|
| <b>ASSETS</b>                              |                            |                            |                            |                            |                          |   |
| Cash and cash equivalents                  | \$ 1,108,826               | \$ 43,039                  | \$ 900,326                 | \$ 2,630,611               | \$ -                     | \$ 4,682,802                            |
| Cash with fiscal agent                     | -                          | -                          | -                          | 435,225                    | -                        | 435,225                                 |
| Investments                                | 2,311,332                  | 7,621                      | -                          | -                          | -                        | 2,318,953                               |
| Receivables, net                           | 185,741                    | -                          | -                          | -                          | -                        | 185,741                                 |
| Due from other governments                 | 308,517                    | 38,703                     | -                          | 84                         | 366,273                  | 713,577                                 |
| Due from other funds                       | 386,962                    | 318,227                    | 449,284                    | -                          | -                        | 1,154,473                               |
| Inventories                                | 5,394                      | -                          | -                          | -                          | -                        | 5,394                                   |
| Prepaid items                              | 71,417                     | -                          | -                          | -                          | -                        | 71,417                                  |
| Total assets                               | <u>\$ 4,378,189</u>        | <u>\$ 407,590</u>          | <u>\$ 1,349,610</u>        | <u>\$ 3,065,920</u>        | <u>\$ 366,273</u>        | <u>\$ 9,567,582</u>                     |
| <b>LIABILITIES</b>                         |                            |                            |                            |                            |                          |   |
| Accounts payable                           | \$ 59,165                  | \$ 55,212                  | \$ -                       | \$ -                       | \$ 77,400                | \$ 191,777                              |
| Accrued liabilities                        | 73,384                     | 8,937                      | -                          | -                          | -                        | 82,321                                  |
| Unearned revenue                           | 3,000                      | -                          | -                          | -                          | -                        | 3,000                                   |
| Due to other governments                   | 5,535                      | -                          | -                          | -                          | -                        | 5,535                                   |
| Due to other funds                         | 390,680                    | 339,101                    | -                          | 53,512                     | 371,180                  | 1,154,473                               |
| Customer deposits                          | 1,500                      | -                          | -                          | -                          | -                        | 1,500                                   |
| Total liabilities                          | <u>533,264</u>             | <u>403,250</u>             | <u>-</u>                   | <u>53,512</u>              | <u>448,580</u>           | <u>1,438,606</u>                        |
| <b>FUND BALANCES</b>                       |                            |                            |                            |                            |                          |   |
| Nonspendable:                              |                            |                            |                            |                            |                          |   |
| Inventories                                | 5,394                      | -                          | -                          | -                          | -                        | 5,394                                   |
| Prepaid items                              | 71,417                     | -                          | -                          | -                          | -                        | 71,417                                  |
| Restricted for:                            |                            |                            |                            |                            |                          |   |
| Capital expansion                          | -                          | -                          | 1,349,610                  | -                          | -                        | 1,349,610                               |
| Transportation                             | -                          | 4,340                      | -                          | -                          | -                        | 4,340                                   |
| Law enforcement - forfeiture and seizure   | 35,817                     | -                          | -                          | -                          | -                        | 35,817                                  |
| Building code enforcement                  | 738,469                    | -                          | -                          | -                          | -                        | 738,469                                 |
| Debt service                               | -                          | -                          | -                          | 435,225                    | -                        | 435,225                                 |
| Assigned to:                               |                            |                            |                            |                            |                          |   |
| Capital projects                           | 600,000                    | -                          | -                          | -                          | -                        | 600,000                                 |
| Emergencies and contingencies              | 50,000                     | -                          | -                          | -                          | -                        | 50,000                                  |
| Debt service                               | -                          | -                          | -                          | 2,577,183                  | -                        | 2,577,183                               |
| Unassigned                                 | 2,343,828                  | -                          | -                          | -                          | (82,307)                 | 2,261,521                               |
| Total fund balances                        | <u>3,844,925</u>           | <u>4,340</u>               | <u>1,349,610</u>           | <u>3,012,408</u>           | <u>(82,307)</u>          | <u>8,128,976</u>                        |
| <b>Total liabilities and fund balances</b> | <u><u>\$ 4,378,189</u></u> | <u><u>\$ 407,590</u></u>   | <u><u>\$ 1,349,610</u></u> | <u><u>\$ 3,065,920</u></u> | <u><u>\$ 366,273</u></u> | <u><u>\$ 9,567,582</u></u>              |

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



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

**Fund balances - total governmental funds** \$ 8,128,976

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds

|                                   |                    |            |
|-----------------------------------|--------------------|------------|
| Total governmental capital assets | 37,636,055         |            |
| Less: accumulated depreciation    | <u>(8,606,029)</u> | 29,030,026 |

On the governmental fund statements, a net pension liability is not recorded until an amount is legally due and payable and the pension plan's fiduciary net position is not sufficient for payment of those benefits (no such liability exists at the end of the current fiscal year). On the Statement of Net Position, the City's net pension liability of the defined benefit pension plans is reported as a noncurrent liability. Additionally, deferred outflows and deferred inflows related to pensions are also reported.

|                                       |                    |             |
|---------------------------------------|--------------------|-------------|
| Net pension liability                 | (2,023,971)        |             |
| Deferred outflows related to pensions | 1,263,385          |             |
| Deferred inflows related to pensions  | <u>(3,735,930)</u> | (4,496,516) |

On the governmental fund statements, a total OPEB liability is not recorded unless an amount is due and payable (no such liability exists at the end of the current fiscal year). On the Statement of Net Position, the City's total OPEB liability is reported as a noncurrent liability.

|                      |             |
|----------------------|-------------|
| Total OPEB liability | (1,948,061) |
|----------------------|-------------|

Long-term liabilities, including bonds payable and notes payable, are not due and payable in the current period and, therefore, are not reported in the funds. These liabilities and other long-term liabilities consist of the following:

|                          |                  |             |
|--------------------------|------------------|-------------|
| Bonds and notes payable  | (7,120,882)      |             |
| Capital leases payable   | (280,801)        |             |
| Accrued interest payable | (95,590)         |             |
| Compensated absences     | <u>(364,195)</u> | (7,861,468) |

|  |                             |
|--|-----------------------------|
| <b>Net position of governmental activities</b> | <u><u>\$ 22,852,957</u></u> |
|--|-----------------------------|

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

**CITY OF ST. AUGUSTINE BEACH, FLORIDA**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2021**

|  | <b>General</b>      | <b>Road and Bridge</b> | <b>Impact Fee</b>   | <b>Debt Service</b> | <b>Weir Project</b> | <b>Total Governmental Funds</b> |
|--|---------------------|------------------------|---------------------|---------------------|---------------------|---------------------------------|
| <b>Revenues</b>  |                     |                        |                     |                     |                     |                                 |
| Taxes  | \$ 4,802,993        | \$ 227,176             | \$ -                | \$ 707,305          | \$ -                | \$ 5,737,474                    |
| Licenses and permits                                     | 888,748             | -                      | 275,321             | -                   | -                   | 1,164,069                       |
| Intergovernmental  | 1,418,081           | 320,346                | -                   | -                   | 366,272             | 2,104,699                       |
| Charges for services                                     | 897,147             | 53,120                 | -                   | -                   | -                   | 950,267                         |
| Fines and forfeitures                                    | 70,703              | -                      | -                   | -                   | -                   | 70,703                          |
| Interest revenues (losses)                               | 6,592               | 12                     | -                   | -                   | -                   | 6,604                           |
| Miscellaneous  | 20,901              | -                      | -                   | -                   | -                   | 20,901                          |
| Total revenues   | <u>8,105,165</u>    | <u>600,654</u>         | <u>275,321</u>      | <u>707,305</u>      | <u>366,272</u>      | <u>10,054,717</u>               |
| <b>Expenditures</b>                                      |                     |                        |                     |                     |                     |                                 |
| Current:   |                     |                        |                     |                     |                     |                                 |
| General government                                       | 1,533,559           | -                      | -                   | -                   | -                   | 1,533,559                       |
| Public safety  | 2,649,187           | -                      | -                   | -                   | -                   | 2,649,187                       |
| Physical environment                                     | 734,466             | -                      | -                   | -                   | -                   | 734,466                         |
| Transportation   | -                   | 699,715                | -                   | -                   | -                   | 699,715                         |
| Culture and recreation                                   | 191,845             | -                      | -                   | -                   | -                   | 191,845                         |
| Capital outlay   | 227,634             | 422,641                | -                   | -                   | 448,579             | 1,098,854                       |
| Debt service   |                     |                        |                     |                     |                     |                                 |
| Principal  | 92,755              | 120,793                | -                   | 396,144             | -                   | 609,692                         |
| Interest and fiscal charges                              | 9,487               | 46,572                 | -                   | 188,855             | -                   | 244,914                         |
| Total expenditures                                       | <u>5,438,933</u>    | <u>1,289,721</u>       | <u>-</u>            | <u>584,999</u>      | <u>448,579</u>      | <u>7,762,232</u>                |
| <b>Excess (deficiency) of revenues over expenditures</b> | <u>2,666,232</u>    | <u>(689,067)</u>       | <u>275,321</u>      | <u>122,306</u>      | <u>(82,307)</u>     | <u>2,292,485</u>                |
| <b>Other financing sources (uses)</b>                    |                     |                        |                     |                     |                     |                                 |
| Transfers in   | -                   | 824,054                | 1,074,289           | 351,028             | -                   | 2,249,371                       |
| Transfers out  | (1,577,462)         | (671,909)              | -                   | -                   | -                   | (2,249,371)                     |
| Proceeds from issuance of debt                           | 140,796             | -                      | -                   | -                   | -                   | 140,796                         |
| Total other financing sources (uses)                     | <u>(1,436,666)</u>  | <u>152,145</u>         | <u>1,074,289</u>    | <u>351,028</u>      | <u>-</u>            | <u>140,796</u>                  |
| <b>Net change in fund balances</b>                       | <u>1,229,566</u>    | <u>(536,922)</u>       | <u>1,349,610</u>    | <u>473,334</u>      | <u>(82,307)</u>     | <u>2,433,281</u>                |
| <b>Fund balances, beginning of year</b>                  | 2,615,359           | 541,262                | -                   | 2,539,074           | -                   | 5,695,695                       |
| <b>Fund balances, end of year</b>                        | <u>\$ 3,844,925</u> | <u>\$ 4,340</u>        | <u>\$ 1,349,610</u> | <u>\$ 3,012,408</u> | <u>\$ (82,307)</u>  | <u>\$ 8,128,976</u>             |

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

**CITY OF ST. AUGUSTINE BEACH, FLORIDA**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2021**

**Net change in fund balances - total governmental funds** **\$ 2,433,281**

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

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

|                             |                  |         |
|-----------------------------|------------------|---------|
| Capital outlay expenditures | 1,098,854        |         |
| Depreciation expense        | <u>(798,764)</u> | 300,090 |

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

|   |                  |         |
|---|------------------|---------|
| Principal repayment of general long-term debt | 609,692          |         |
| Amortization of debt premium                  | 10,891           |         |
| Issuance of governmental long-term debt       | <u>(140,796)</u> | 479,787 |

In the statement of activities, only the gain or loss on the disposition of capital assets are reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the cost of the capital assets disposed. (37,332)

Governmental funds report contributions to defined benefit pension plans as expenditures.

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

|  |         |
|--|---------|
| Changes in net pension liability and deferred inflows/outflows related to pensions | 444,438 |
|--|---------|

Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available.

These adjustments are as follows:

|  |             |
|--|-------------|
| Change in accrued interest on long-term debt | 7,268       |
| Changes in total OPEB liability              | (1,105,625) |
| Change in compensated absences liability     | (29,789)    |

|  |                            |
|--|----------------------------|
| <b>Change in net position of governmental activities</b> | <b><u>\$ 2,492,118</u></b> |
|--|----------------------------|

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

**CITY OF ST. AUGUSTINE BEACH, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021**

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

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

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

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

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

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

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

**CITY OF ST. AUGUSTINE BEACH, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021**

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

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

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

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

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

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

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and pensions, are recorded only when payment is due.

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

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

**CITY OF ST. AUGUSTINE BEACH, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021**

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

The City reports the following major governmental funds:

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

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

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

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

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

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

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

**CITY OF ST. AUGUSTINE BEACH, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021**

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

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

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

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

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

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

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

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

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

**CITY OF ST. AUGUSTINE BEACH, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021**

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

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

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

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

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

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

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

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

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



**CITY OF ST. AUGUSTINE BEACH, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021**

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

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

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

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

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

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

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

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

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

(3) **Property Tax Calendar:**

Under Florida law, the assessment of all properties and collection of all county, municipal and school board property taxes are consolidated in the offices of the County Property Appraiser. State laws regulating tax assessment are designed to ensure a consistent property valuation method statewide and to permit municipalities to levy property taxes at a rate of up to 10 mills. For the fiscal year ended September 30, 2021, the millage rate assessed by the City was 2.45 per \$1,000.

**CITY OF ST. AUGUSTINE BEACH, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021**

**(3) Property Tax Calendar:** (Continued)

The City tax calendar is as follows:

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

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

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

As of September 30, 2021, all City cash deposits were held in qualified public depositories pursuant to Chapter 280, Florida Statutes, the *Florida Security for Public Deposits Act* (the Act), and, accordingly, are entirely insured by Federal Depositary Insurance Corporation (FDIC) insurance or collateralized pursuant to the Act. The Act established guidelines for qualification and participation by banks and savings associations, procedures for administration of the collateral requirements and characteristics of eligible collateral. Under the Act, the qualified depository must pledge at least 50% of the average daily balance for each month of all public deposits in excess of any applicable deposit insurance. Additional collateral, up to 125%, may be required if deemed necessary. Obligations pledged to secure deposits must be delivered to the State Treasurer or, with the approval of the State Treasurer, to a bank, savings association, or trust company provided a power of attorney. Under the Act, the City is authorized to deposit funds only in qualified public depositories.

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

As of September 30, 2021, the Florida PRIME, FLGIT and FLSAFE had weighted average maturities of 49 days, 48 days, and 54 days, respectively. The City held no assets or investments carried at fair value at September 30, 2021.

**CITY OF ST. AUGUSTINE BEACH, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021**

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

As of September 30, 2021, the City's governmental investment portfolio is composed of the following investments:

| <u>Investment</u> | <u>Credit Quality<br/>Rating</u> | <u>Carrying<br/>Value</u> |
|-------------------|----------------------------------|---------------------------|
| Florida PRIME     | AAAm (S&P)                       | \$ 1,774,002              |
|                   | AAAmmf                           |                           |
| FLGIT Day to Day  | (Fitch)                          | \$ 53,305                 |
| FLSAFE            | AAAm (S&P)                       | \$ 491,646                |

*Interest Rate Risk:* Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of investments. To limits its exposure to fair value losses arising from increases in interest rates, the City prohibits direct investment in U.S. government securities or repurchase agreements maturing more than seven years from the date of purchase and in time deposits maturing more than one year from the date of purchase There were no investments in the City's portfolio that exceeded this maximum maturity at September 30, 2021.

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

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

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

*Custodial Credit Risk:* All demand deposits are held with qualified public depositories, as defined above. In the case of investments, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of September 30, 2021, the City's investment of \$1,774,002 in Florida PRIME funds, \$53,305 in FLGIT funds, and \$491,646 in FLSAFE funds are backed by the full faith and credit of the State of Florida, or explicitly guaranteed by the State of Florida.

**(5) Accounts Receivable:**

The City's receivables consist of \$185,741 at September 30, 2021, all of which was included in the general fund and governmental activities. There was no allowance for doubtful accounts at September 30, 2021.

**CITY OF ST. AUGUSTINE BEACH, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021**

**(6) Capital Assets:**

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

|  | <u>Beginning<br/>Balance</u> | <u>Increases</u>  | <u>Decreases</u>   | <u>Ending<br/>Balance</u> |
|--|------------------------------|-------------------|--------------------|---------------------------|
| Governmental activities:                     |                              |                   |                    |                           |
| Capital assets, not being depreciated –      |                              |                   |                    |                           |
| Land   | \$ 14,297,130                | \$ -              | \$ -               | \$ 14,297,130             |
| Construction in progress                     | 267,988                      | 610,983           | (16,160)           | 862,811                   |
| Total capital assets, not being depreciated  | <u>14,565,118</u>            | <u>610,983</u>    | <u>(16,160)</u>    | <u>15,159,941</u>         |
| Capital assets, being depreciated –          |                              |                   |                    |                           |
| Machinery and equipment                      | 4,044,449                    | 213,932           | (349,535)          | 3,908,846                 |
| Buildings and improvements                   | 4,903,637                    | -                 | (2,760)            | 4,900,877                 |
| Infrastructure                               | 13,376,292                   | 290,099           | -                  | 13,666,391                |
| Total capital assets, being depreciated      | <u>22,324,378</u>            | <u>504,031</u>    | <u>(352,295)</u>   | <u>22,476,114</u>         |
| Less: accumulated depreciation               | <u>(8,122,228)</u>           | <u>(798,764)</u>  | <u>314,963</u>     | <u>(8,606,029)</u>        |
| Total capital assets, being depreciated, net | <u>14,202,150</u>            | <u>(294,733)</u>  | <u>(37,332)</u>    | <u>13,870,085</u>         |
| Governmental activities capital assets, net  | <u>\$ 28,767,268</u>         | <u>\$ 316,250</u> | <u>\$ (53,492)</u> | <u>\$ 29,030,026</u>      |

Depreciation expense was charged to functions/programs as follows:

|  |                   |
|--|-------------------|
| Governmental activities:                             |                   |
| General governmental                                 | \$ 160,608        |
| Public safety  | 101,684           |
| Physical environment                                 | 507,141           |
| Transportation                                       | 3,536             |
| Culture and recreation                               | 25,795            |
| Total depreciation expense - governmental activities | <u>\$ 798,764</u> |

**(7) Capital Leases:**

The City has entered into certain lease agreements as a lessee for financing the acquisition of three police vehicles in the 2017 fiscal year, one garbage truck in the 2019 fiscal year, and three police vehicles in the 2021 fiscal year. The lease agreements qualify as capital leases for accounting purposes, and therefore, have been recorded at the present value of their future minimum lease payments as of the inception date. The assets acquired through capital leases are as follows:

|                                 |                   |
|---------------------------------|-------------------|
| Asset:                          |                   |
| Vehicles and Accessories        | \$ 721,820        |
| Accumulated depreciation        | (343,556)         |
| Net book value of leased assets | <u>\$ 378,264</u> |

**CITY OF ST. AUGUSTINE BEACH, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021**

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

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

| <u>Year Ending<br/>September 30</u> | <u>Present Value of<br/>Net Minimum<br/>Payments</u> | <u>Amounts<br/>Representing<br/>Interest</u> | <u>Total Minimum<br/>Lease Payments</u> |
|-------------------------------------|--|--|---|
| 2022                                | \$ 116,319   | \$ 11,506                                    | \$ 127,825                              |
| 2023                                | 93,163   | 6,386  | 99,549                                  |
| 2024                                | 71,319   | 2,101  | 73,420                                  |
| Total                               | <u>\$ 280,801</u>                                    | <u>\$ 19,993</u>                             | <u>\$ 300,794</u>                       |

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

Notes and bonds payable at September 30, 2021, are comprised of the following:

|  |            |
|--|------------|
| \$5,350,000 Series 2009 Florida Municipal Loan Council Revenue Bonds, issued to purchase land at a fixed rate of interest of 5.37%. Interest payments are payable semiannually on January 1 and July 1. Principal payments are due annually on July 1 each year until final maturity on July 1, 2029. The bond issue is payable from and secured by certain ad valorem revenues and the approximate amount of the pledge is equal to the remaining principal and interest of \$527,044. During 2021, \$707,305 in ad valorem revenues were recognized and \$65,881 were paid for debt service.   | \$ 419,503 |
| \$1,460,000 Series 2016A Florida Municipal Loan Council Refunding and Improvement Bonds, issued for the purchase of land and capital improvements at interest rates ranging from 2.00% to 5.00%. Interest payments are payable semiannually on April 1 and October 1. Principal payments are due annually on October 1 each year until final maturity on October 1, 2046. The bond issue is payable from and secured by non-ad valorem revenues and the approximate amount of the pledge is equal to the remaining principal and interest of \$2,048,088. During 2021, \$5,880,318 in non-ad valorem revenues were recognized and \$77,825 were paid for debt service. | 1,335,000  |
| \$1,610,000 Series 2016B Florida Municipal Loan Council Refunding and Improvement Bonds, issued for the purchase of land and capital improvements at interest rates ranging from 2.00% to 4.00%. Interest payments are payable semiannually on April 1 and October 1. Principal payments are due annually on October 1 each year until final maturity on October 1, 2028. The bond issue is payable from and secured by certain ad valorem revenues and the approximate amount of the pledge is equal to the remaining principal and interest of \$1,253,425. During 2021, \$707,305 in ad valorem revenues were recognized and \$156,500 were paid for debt service.  | 1,135,000  |

**CITY OF ST. AUGUSTINE BEACH, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021**

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

\$1,920,000 Series 2016C Florida Municipal Loan Council Refunding and Improvement Bonds, issued for a current refunding of Series 2004A Florida Municipal Loan Council Revenue Bonds, at interest rates ranging from 2.00% to 5.00%. Interest payments are payable semiannually on April 1 and October 1. Principal payments are due annually on October 1 each year until final maturity on October 1, 2034. The bond issue is payable from and secured by non-ad valorem revenues and the approximate amount of the pledge is equal to the remaining principal and interest of \$1,954,175. During 2021, \$5,880,318 in non-ad valorem revenues were recognized and \$140,075 were paid for debt service. \$ 1,575,000

\$1,430,000 Series 2016D Florida Municipal Loan Council Refunding and Improvement Bonds, issued for a current refunding of Series 2010AA Florida Municipal Loan Council Revenue Bonds, at interest rates ranging from 2.00% to 5.00%. Interest payments are payable semiannually on April 1 and October 1. Principal payments are due annually on October 1 each year until final maturity on October 1, 2029. The bond issue is payable from and secured by non-ad valorem revenues and the approximate amount of the pledge is equal to the remaining principal and interest of \$1,178,781. During 2021, \$5,880,318 in non-ad valorem revenues were recognized and \$136,537 were paid for debt service. 1,030,000

\$2,508,562 Department of Environmental Protection note payable, used to connect approximately 620 residential units to the St. Johns County Utility System, at an interest rate of 2.92%. Principal and interest payments of \$83,683 are payable semiannually on January 15 and July 15 through July 15, 2032. Repayment of loan balance is secured revenue received from St. Johns County equal to the semiannual debt service payment to the City as each payment becomes due. See Note (14) for further discussion of this activity. 1,504,125

|  |              |
|--|--------------|
| Notes and bonds payable at September 30, 2021    | 6,998,628    |
| Add: unamortized bond premiums                   | 122,254      |
| Less: current portion of bonds and notes payable | (522,699)    |
| Total long-term debt, governmental activities    | \$ 6,598,183 |

The City was in compliance with all applicable debt covenants as of and for the year ended September 30, 2021.

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

| Year Ending<br>September 30, | Principal    | Interest     | Total        |
|------------------------------|--------------|--------------|--------------|
| 2022                         | \$ 522,699   | \$ 210,834   | \$ 733,533   |
| 2023                         | 538,685      | 192,224      | 730,909      |
| 2024                         | 564,903      | 174,856      | 739,759      |
| 2025                         | 586,364      | 160,545      | 746,909      |
| 2026                         | 598,077      | 145,275      | 743,352      |
| 2027-2031                    | 2,640,420    | 461,600      | 3,102,020    |
| 2032-2036                    | 847,480      | 165,279      | 1,012,759    |
| 2037-2041                    | 290,000      | 90,675       | 380,675      |
| 2042-2046                    | 335,000      | 39,894       | 374,894      |
| 2047                         | 75,000       | 4,794        | 79,794       |
| Total                        | \$ 6,998,628 | \$ 1,645,976 | \$ 8,644,604 |

**CITY OF ST. AUGUSTINE BEACH, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021**

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

For the fiscal year ended September 30, 2021, a summary of the long-term liability transactions for the City is as follows:

|  | <u>Beginning<br/>Balance</u> | <u>Additions</u>  | <u>Reductions</u>   | <u>Ending<br/>Balance</u> | <u>Due Within<br/>One Year</u> |
|--|------------------------------|-------------------|---------------------|---------------------------|--------------------------------|
| <b>Governmental activities:</b>                          |                              |                   |                     |                           |                                |
| Notes and bonds payable                                  | \$ 7,515,565                 | \$ -              | \$ (516,937)        | \$ 6,998,628              | \$ 522,699                     |
| Plus: Original issue premium                             | 133,145                      | -                 | (10,891)            | 122,254                   | -                              |
| Total notes and bonds payable                            | 7,648,710                    | -                 | (527,828)           | 7,120,882                 | 522,699                        |
| Capital leases   | 232,760                      | 140,796           | (92,755)            | 280,801                   | 116,319                        |
| Compensated absences                                     | 334,406                      | 171,232           | (141,443)           | 364,195                   | 54,629                         |
| Governmental activities –<br>Total long-term liabilities | <u>\$ 8,215,876</u>          | <u>\$ 312,028</u> | <u>\$ (762,026)</u> | <u>\$ 7,765,878</u>       | <u>\$ 693,647</u>              |

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

The outstanding balances between funds are short-term loans to cover short-term cash flow needs and expected to be repaid in full over the course of the next fiscal year. Individual fund interfund receivables and payables for the primary government at September 30, 2021, are comprised of the following:

|                          | <u>Due From<br/>Other Funds</u> | <u>Due to Other<br/>Funds</u> |
|--------------------------|---------------------------------|-------------------------------|
| Governmental Activities: |                                 |                               |
| General Fund             | \$ 386,962                      | \$ 390,680                    |
| Road and Bridge Fund     | 318,227                         | 339,101                       |
| Impact Fee Fund          | 449,284                         | -                             |
| Debt Service             | -                               | 53,512                        |
| Weir Project Fund        | -                               | 371,180                       |
| Total – All Funds        | <u>\$ 1,154,473</u>             | <u>\$ 1,154,473</u>           |

For the year ended September 30, 2021, interfund transfers consisted of the following:

|                          | <u>Transfers In</u> | <u>Transfers Out</u> |
|--------------------------|---------------------|----------------------|
| Governmental Activities: |                     |                      |
| General Fund             | \$ -                | \$ 1,577,462         |
| Road and Bridge Fund     | 824,054             | 671,909              |
| Impact Fee Fund          | 1,074,289           | -                    |
| Debt Service Fund        | 351,028             | -                    |
| Total – All Funds        | <u>\$ 2,249,371</u> | <u>\$ 2,249,371</u>  |

The transfer from the general fund to the road and bridge fund represents funds for capital project outlay. The transfer from the general fund to the debt service fund represents the requirements for debt service payments. The transfer from the general and road and bridge fund to the impact fee fund represent impact fees collected in prior years.

**CITY OF ST. AUGUSTINE BEACH, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021**

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

**A. Florida Retirement System**

**Plan Description and Administration**

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

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

**Benefits Provided and Employees Covered**

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

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



**CITY OF ST. AUGUSTINE BEACH, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021**

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

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

**Financial Statements**

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

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

**Contributions**

The City participates in certain classes of FRS membership. Each class had descriptions and contribution rates in effect during the year ended September 30, 2021, as follows (contribution rates are in agreement with the actuarially determined rates):

| <u>FRS Membership Plan &amp; Class</u> | <u>Through<br/>June 30, 2021</u> | <u>After<br/>June 30, 2021</u> |
|--|----------------------------------|--------------------------------|
| Regular Class                          | 10.00%                           | 10.82%                         |
| Senior Management (SMSC)               | 27.29%                           | 29.01%                         |
| Special Risk                           | 24.45%                           | 25.89%                         |
| Elected Official Class                 | 49.18%                           | 51.42%                         |

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

For the plan year ended June 30, 2021, actual contributions made for employees participating in FRS and HIS were as follows:

|                              |            |
|------------------------------|------------|
| City Contributions – FRS     | \$ 502,075 |
| City Contributions – HIS     | 49,281     |
| Employee Contributions – FRS | 89,063     |

**CITY OF ST. AUGUSTINE BEACH, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021**

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

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

At September 30, 2021, the City reported a net pension liability related to FRS and HIS as follows:

|       |    |                  |
|-------|----|------------------|
| FRS   | \$ | 995,547          |
| HIS   |    | 1,028,424        |
| Total | \$ | <u>2,023,971</u> |

The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental entities, as actuarially determined. At June 30, 2021 and 2020, the City's proportionate share of the FRS and HIS net pension liabilities were as follows:

| <u>Plan</u> | <u>2021</u>  | <u>2020</u>  |
|-------------|--------------|--------------|
| FRS         | 0.013179315% | 0.013903464% |
| HIS         | 0.008384007% | 0.008450946% |

For the year ended June 30, 2021, pension expense was recognized related to the FRS and HIS plans as follows:

|       |    |                |
|-------|----|----------------|
| FRS   | \$ | 26,983         |
| HIS   |    | 89,460         |
| Total | \$ | <u>116,443</u> |

*Deferred outflows/inflows related to pensions:*

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

|   | <u>FRS</u>                            |                                      | <u>HIS</u>                            |                                      |
|---|---------------------------------------|--------------------------------------|---------------------------------------|--------------------------------------|
|   | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
| Differences between expected and actual experience              | \$ 170,638                            | \$ -                                 | \$ 34,414                             | \$ (431)                             |
| Changes of assumptions  | 681,203                               | -                                    | 80,811                                | (42,374)                             |
| Net difference between projected and actual investment earnings | -                                     | (3,473,215)                          | 1,072                                 | -                                    |
| Change in City's proportionate share                            | 108,556                               | (200,846)                            | 28,945                                | (19,064)                             |
| Contributions subsequent to measurement date                    | 144,620                               | -                                    | 13,126                                | -                                    |
|   | <u>\$ 1,105,017</u>                   | <u>\$ (3,674,061)</u>                | <u>\$ 158,368</u>                     | <u>\$ (61,869)</u>                   |

**CITY OF ST. AUGUSTINE BEACH, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021**

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

The above amounts for deferred outflows of resources for contributions related to pensions resulting from employer contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ended September 30, 2022. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions being amortized for a period of greater than one year will be recognized in pension expense in succeeding years as follows:

| <b>Year Ended<br/>September 30</b> | <b>FRS</b>            | <b>HIS</b>       | <b>Total</b>          |
|------------------------------------|-----------------------|------------------|-----------------------|
| 2022                               | \$ (458,497)          | \$ 33,898        | \$ (424,599)          |
| 2023                               | (558,348)             | 12,100           | (546,248)             |
| 2024                               | (735,774)             | 11,636           | (724,138)             |
| 2025                               | (938,910)             | 14,076           | (924,834)             |
| 2026                               | (22,135)              | 9,907            | (12,228)              |
| Thereafter                         | -                     | 1,756            | 1,756                 |
| <b>Total</b>                       | <b>\$ (2,713,664)</b> | <b>\$ 83,373</b> | <b>\$ (2,630,291)</b> |

*Actuarial assumptions:*

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

The total pension liability for each of the defined benefit plans was determined by an actuarial valuation, using the entry age normal actuarial cost method. Inflation increases for both plans are assumed at 2.40%. Payroll growth, including inflation, for both plans is assumed at 3.25%. Both the discount rate and the long-term expected rate of return used for FRS investments are 6.80%. This rate did not change from the prior year rate. The plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return. Because HIS Program uses a pay-as-you-go funding structure, a municipal bond rate of 2.16% was used to determine the total pension for the program. This rate decreased from the prior year rate, which was 2.21%. Mortality assumptions for both plans were based on the PUB-2010 base table varies by member category and sex, projected generationally with Scale MP-2018 details.

*Long-term expected rate of return:*

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in October 2021, the FRS Actuarial Assumptions conference reviewed long-term assumptions developed by both Milliman's capital market assumptions team and by a capital market assumptions team from Aon Hewitt Investment Consulting, which consults to the Florida State Board of Administration. The table below shows Milliman's assumptions for each of the asset classes in which the plan was invested at that time based on the long-term target asset allocation. The allocation policy's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes an adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

**CITY OF ST. AUGUSTINE BEACH, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021**

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

| <u>Asset Class</u>    | <u>Target Allocation</u> | <u>Long-Term Arithmetic Expected Rate of Return</u> |
|-----------------------|--------------------------|---|
| Cash                  | 1.0%                     | 2.1%  |
| Fixed income          | 20.0%                    | 3.8%  |
| Global equities       | 54.2%                    | 8.2%  |
| Real estate           | 10.3%                    | 7.1%  |
| Private equity        | 10.8%                    | 11.7%   |
| Strategic investments | 3.7%                     | 5.7%  |
| Total                 | <u>100.0%</u>            |   |

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

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

| <u>Plan</u> | <u>Current Discount Rate</u> | <u>NPL with 1% Decrease</u> | <u>NPL at Current Discount Rate</u> | <u>NPL with 1% Increase</u> |
|-------------|------------------------------|-----------------------------|-------------------------------------|-----------------------------|
| FRS         | 6.80%                        | \$ 4,452,155                | \$ 995,547                          | \$ (1,893,789)              |
| HIS         | 2.16%                        | 1,188,958                   | 1,028,424                           | 896,903                     |

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

**Plan Description**

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

**Funding Policy**

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

**CITY OF ST. AUGUSTINE BEACH, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021**

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

**Benefits Provided**

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

**Plan Membership**

At October 1, 2019, the date of the latest actuarial valuation, plan participation consisted of 54 covered individuals, including two inactive employees and beneficiaries and 52 active employees. Plan participation does not include any inactive employees entitled to but not yet receiving benefits.

**Actuarial Assumptions and Other Inputs**

The total OPEB liability in the October 1, 2019, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods in the measurement, unless otherwise specified:

|  |   |
|--|---|
| Discount rate                            | 2.14%   |
| Salary increases                         | 3.00%   |
| Healthcare cost trend rate               | 6.50% in 2020, downgraded 0.50% per year to<br>5.00% in 2023  |
| Age-related morbidity                    | In accordance with the rates set forth in the<br>Society of Actuaries report "Health<br>Care Costs – From Birth to Death" |
| Retirees' share of benefit-related costs | 100.00%   |

The City does not have a dedicated Trust to pay retiree healthcare benefits. The discount rate was based on the S&P Municipal Bond 20-Year High Grade Rate Index as of September 30, 2020.

Mortality rates were based on the PUB-2010 Mortality Table (without income adjustment) for general and public safety employees, with full generational improvements in mortality using Scale MP-2017.

**Total OPEB Liability**

The City's total OPEB liability of \$1,948,061 was measured as of September 30, 2020, and was determined by an actuarial valuation as of October 1, 2019, utilizing the Alternative Measurement Method for small plans. Therefore, no deferred inflows or deferred outflows are recorded.

**CITY OF ST. AUGUSTINE BEACH, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021**

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

Changes in the OPEB liability for the fiscal year ended September 30, 2021, were as follows:

|  | <u>Total OPEB<br/>Liability</u> |
|--|---------------------------------|
| Balance at September 30, 2020            | \$ 687,064                      |
| Changes for a year:                      |                                 |
| Service cost                             | 250,643                         |
| Interest                                 | 20,044                          |
| Demographic experience                   | (153,872)                       |
| Changes of assumptions                   | 1,146,301                       |
| Benefit payments – implicit rate subsidy | (2,119)                         |
| Net changes                              | <u>1,260,997</u>                |
| Balance at September 30, 2021            | <u>\$ 1,948,061</u>             |

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

The following presents the total OPEB liability of the City calculated using the discount rate of 2.14%, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1% lower (1.14%) or 1% higher (3.14%) than the current rate:

|                      | <u>1% Decrease</u> | <u>Current<br/>Discount Rate</u> | <u>1% Increase</u> |
|----------------------|--------------------|----------------------------------|--------------------|
| Total OPEB Liability | \$ 2,164,194       | \$ 1,948,061                     | \$ 1,758,911       |

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

The following presents the total OPEB liability of the City as well as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower (5.50%, graded down to 4.00%) or 1% higher (7.50%, graded down to 6.00%) than the current healthcare cost trend rates (6.50%, graded down to 5.00%):

|                      | <u>1% Decrease</u> | <u>Current<br/>Trend Rates</u> | <u>1% Increase</u> |
|----------------------|--------------------|--------------------------------|--------------------|
| Total OPEB Liability | \$ 1,682,917       | \$ 1,948,061                   | \$ 2,272,250       |

**(11) Risk Management:**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the City carries commercial insurance. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There were no significant reductions in coverage from the prior year.

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

**CITY OF ST. AUGUSTINE BEACH, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021**

**(12) Commitments and Contingencies:**

The City is engaged in various liability claims incidental to the conduct of its general government operations at September 30, 2021. The outcomes of established claims are included in these financial statements. In the opinion of the City's legal counsel, no legal proceedings are pending or threatened against the City which are not covered by applicable insurance which would inhibit its ability to perform its operations or materially affect its financial condition.

**(13) Risks and Uncertainties – COVID-19:**

During the year ended September 30, 2021, local, U.S., and world governments have encouraged self-isolation to curtail the spread of the global pandemic, coronavirus disease (COVID-19), by mandating temporary work stoppage in many sectors and imposing limitations on travel and size and duration of group meetings. Most industries are experiencing disruption to business operations and the impact of reduced consumer spending. There is unprecedented uncertainty surrounding the duration of the pandemic, its potential economic ramifications, and any government actions to mitigate them. Accordingly, while management cannot quantify the financial and other impact to the City as of April 6, 2022, management believes that an impact on the entity's net position and results of future operations is reasonably possible.

**(14) Interlocal Agreement:**

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

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

**(15) Subsequent Events:**

On May 3, 2021, the City Commission approved a special non-ad valorem assessment to specified lot owners to assist with costs of the 2nd Street Roadway Project. The Commission elected to pay one-third of the roadway, drainage, and undergrounding of power lines for the roadway extension, while the non-ad valorem assessment would fund the other two-thirds of those costs as well as utility extension costs. The range of costs per originally platted lot is \$15,000 to \$16,000 with a maximum total revenue from the special assessment of \$400,000. Sixteen originally platted lots are assessed in fiscal year 2022 at a rate of \$3,940 per lot. However, three of the sixteen lots are planned to be placed under conservation and dedicated to the City. If the dedication occurs prior to April 30, 2022, the City will recommend an assessment credit to the tax collector for the three conservation lots, reducing the total first-year assessment revenue in fiscal year 2022 to \$51,220.

On September 16, 2021, the City entered into a grant agreement with the Florida Division of Emergency Management to receive grant funds under the American Rescue Plan Act of 2021 (ARPA). Total grant fund under this agreement are expected to be \$3,507,979. Subsequent to year-end in October 2021, the City received a payment of \$1,753,989 from the State.

**CITY OF ST. AUGUSTINE BEACH, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021**

**(15) Subsequent Events:** (Continued)

On December 6, 2021, the City Commission approved an agreement to finance the purchase of a garbage truck. The aggregate principal amount of all lease payments is not to exceed \$193,500 and the interest rate is 1.46%. Annual principal and interest payments of \$40,411.44 will be made on September 9 of each year beginning on December 9, 2022, with final maturity on December 9, 2026. The financing includes the option to purchase the asset after execution of the lease agreement on December 9, 2021.

**(16) Recent Accounting Pronouncements:**

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

GASB issued Statement No. 87, *Leases*, in June 2017. GASB 87 increases the usefulness of governments’ financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The provisions in GASB 87 are effective for periods beginning after June 15, 2021.

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



**CITY OF ST. AUGUSTINE BEACH, FLORIDA**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL - GENERAL FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2021**

|  | <b>Budgeted Amounts</b> |                     |                     | <b>Variance with<br/>Final Budget -<br/>Positive<br/>(Negative)</b> |
|--|-------------------------|---------------------|---------------------|---|
|  | <b>Original</b>         | <b>Final</b>        | <b>Actual</b>       |   |
| <b>REVENUES</b>  |                         |                     |                     |   |
| Taxes  | \$ 4,339,579            | \$ 4,380,482        | \$ 4,802,993        | \$ 422,511  |
| Licenses and permits                                     | 754,761                 | 754,761             | 888,748             | 133,987   |
| Intergovernmental  | 751,498                 | 751,498             | 1,418,081           | 666,583   |
| Charges for services                                     | 767,699                 | 767,699             | 897,147             | 129,448   |
| Fines and forfeitures                                    | 26,700                  | 26,700              | 70,703              | 44,003  |
| Interest revenues  | 14,000                  | 14,000              | 6,592               | (7,408)   |
| Miscellaneous  | 3,950                   | 3,950               | 20,901              | 16,951  |
| Total revenues   | <u>6,658,187</u>        | <u>6,699,090</u>    | <u>8,105,165</u>    | <u>1,406,075</u>  |
| <b>Expenditures</b>                                      |                         |                     |                     |   |
| Current:   |                         |                     |                     |   |
| General government:                                      |                         |                     |                     |   |
| Legislative  | 83,291                  | 83,291              | 60,091              | 23,200  |
| Executive  | 177,749                 | 177,749             | 175,522             | 2,227   |
| Finance  | 749,494                 | 770,061             | 722,028             | 48,033  |
| Comp planning  | 159,847                 | 165,279             | 163,939             | 1,340   |
| Other general government                                 | 420,112                 | 445,112             | 431,335             | 13,777  |
| Public safety:   |                         |                     |                     |   |
| Police   | 2,619,478               | 2,644,478           | 2,388,355           | 256,123   |
| Protective inspection                                    | 382,439                 | 476,647             | 421,310             | 55,337  |
| Physical environment                                     | 798,107                 | 798,107             | 734,466             | 63,641  |
| Economic environment                                     | 250                     | 250                 | -                   | 250   |
| Culture and recreation                                   | 509,007                 | 509,007             | 239,645             | 269,362   |
| Debt service:  |                         |                     |                     |   |
| Principal  | 107,485                 | 107,485             | 92,755              | 14,730  |
| Interest and fiscal charges                              | 12,935                  | 12,935              | 9,487               | 3,448   |
| Total expenditures                                       | <u>6,020,194</u>        | <u>6,190,401</u>    | <u>5,438,933</u>    | <u>751,468</u>  |
| <b>Excess (deficiency) of revenues over expenditures</b> | <u>637,993</u>          | <u>508,689</u>      | <u>2,666,232</u>    | <u>2,157,543</u>  |
| <b>Other financing sources (uses)</b>                    |                         |                     |                     |   |
| Transfers out  | (1,175,082)             | (1,175,082)         | (1,577,462)         | (402,380)   |
| Proceeds from sale of capital assets                     | 5,000                   | 5,000               | -                   | (5,000)   |
| Proceeds from issuance of debt                           | 150,000                 | 150,000             | 140,796             | (9,204)   |
| Total other financing sources (uses)                     | <u>(1,020,082)</u>      | <u>(1,020,082)</u>  | <u>(1,436,666)</u>  | <u>(416,584)</u>  |
| <b>Net change in fund balances</b>                       | <u>(382,089)</u>        | <u>(511,393)</u>    | <u>1,229,566</u>    | <u>1,740,959</u>  |
| <b>Fund balances, beginning of year</b>                  | 2,615,359               | 2,615,359           | 2,615,359           | -   |
| <b>Fund balances, end of year</b>                        | <u>\$ 2,233,270</u>     | <u>\$ 2,103,966</u> | <u>\$ 3,844,925</u> | <u>\$ 1,740,959</u>   |

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

**CITY OF ST. AUGUSTINE BEACH, FLORIDA**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL - ROAD AND BRIDGE FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2021**

|  | <b>Budgeted Amounts</b>  |                          |                        | <b>Variance with<br/>Final Budget -<br/>Positive<br/>(Negative)</b> |
|--|--------------------------|--------------------------|------------------------|---|
|  | <b>Original</b>          | <b>Final</b>             | <b>Actual</b>          |   |
| <b>REVENUES</b>  |                          |                          |                        |   |
| Taxes  | \$ 208,355               | \$ 208,355               | \$ 227,176             | \$ 18,821   |
| Licenses and permits   | 198,145                  | 198,145                  | -                      | (198,145)   |
| Intergovernmental  | 351,570                  | 351,570                  | 320,346                | (31,224)  |
| Charges for services   | 48,328                   | 48,328                   | 53,120                 | 4,792   |
| Interest revenues  | 212                      | 213                      | 12                     | (201)   |
| Total revenues   | <u>806,610</u>           | <u>806,611</u>           | <u>600,654</u>         | <u>(205,957)</u>  |
| <b>Expenditures</b>  |                          |                          |                        |   |
| Current:   |                          |                          |                        |   |
| Transportation   | 802,799                  | 859,999                  | 699,715                | 160,284   |
| Capital outlay   | 660,500                  | 660,500                  | 422,641                | 237,859   |
| Debt service:  |                          |                          |                        |   |
| Principal  | 120,793                  | 120,794                  | 120,793                | 1   |
| Interest and fiscal charges                                  | 46,572                   | 46,572                   | 46,572                 | -   |
| Total expenditures   | <u>1,630,664</u>         | <u>1,687,865</u>         | <u>1,289,721</u>       | <u>398,144</u>  |
| <b>Excess (deficiency) of revenues over<br/>expenditures</b> | <u>(824,054)</u>         | <u>(881,254)</u>         | <u>(689,067)</u>       | <u>192,187</u>  |
| <b>Other financing sources (uses)</b>                        |                          |                          |                        |   |
| Transfers in   | 824,054                  | 824,054                  | 824,054                | -   |
| Transfers out  | -                        | -                        | (671,909)              | (671,909)   |
| Total other financing sources (uses)                         | <u>824,054</u>           | <u>824,054</u>           | <u>152,145</u>         | <u>(671,909)</u>  |
| <b>Net change in fund balances</b>                           | <u>-</u>                 | <u>(57,200)</u>          | <u>(536,922)</u>       | <u>(479,722)</u>  |
| <b>Fund balances (deficits), beginning of year</b>           | 541,262                  | 541,262                  | 541,262                | -   |
| <b>Fund balances (deficits), end of year</b>                 | <u><u>\$ 541,262</u></u> | <u><u>\$ 484,062</u></u> | <u><u>\$ 4,340</u></u> | <u><u>\$ (479,722)</u></u>  |

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

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

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

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

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

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

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

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

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

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

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

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

**CITY OF ST. AUGUSTINE BEACH, FLORIDA**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**SEPTEMBER 30, 2021**

**(1) Budgetary Information:**

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

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

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

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of St. Augustine Beach, Florida (the City), as of and for the year ended September 30, 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 April 6, 2022.

***Internal Control over Financial Reporting***

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

Our consideration of internal control 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 were not identified. However, as described below, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described below as item 2021-001 to be a material weakness.

**2021-001 – Impact Fee Fund**

During the year ended September 30, 2021, in accordance with the Florida Impact Fee Act, the City created the Impact Fee Fund to separately account for impact fee collections and expenditures. The City chose to transfer the associated funds from the General Fund and Road and Bridge Fund to the new Impact Fee Fund, however, the transfers were recorded directly to the respective funds' fund balance accounts rather than using transfers in and out in the amounts of \$292,197 from the General Fund, \$332,808 from the Road and Bridge Fund, and \$625,005 to the Impact Fee Fund. We recommend interfund activity is recorded through proper statement of revenues, expenditures, and changes in fund balance accounts.

Also during our testing, we noted the transfers into the new Impact Fee Fund were not done for the full amount of beginning fund balance restricted for impact fees in General Fund and Road and Bridge Fund. We proposed and management recorded an additional transfer of \$110,183 from the General Fund and \$339,101 from the Road and Bridge Fund to the Impact Fee Fund to be compliant with Florida Statutes.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described below as item 2021-002 to be a significant deficiency.

#### **2021-002 – Review of Pay Changes**

During our testing of internal controls over payroll, we noted the pay rate for one out of twenty employees selected for testing was entered into the system incorrectly. The erroneous pay rate, effective July 1, 2021, caused an underpayment of \$1 per hour for the base pay rate for a total of approximately \$600. We recommend the City to implement procedures to have an individual independent from the original processor of pay changes recheck pay rates after they've been entered into the system to ensure accuracy.

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

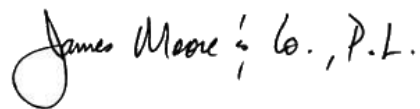
As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect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

#### **Management's Response to Findings**

The City's response to the findings identified in our audit is described in the accompanying management's response to findings on page 48. 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Daytona Beach, Florida  
April 6, 2022



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

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

**Report on the Financial Statements**

We have audited the financial statements of the City of St. Augustine Beach, Florida, as of and for the fiscal year ended September 30, 2021, and have issued our report thereon dated April 6, 2022.

**Auditors' Responsibility**

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

**Other Reporting Requirements**

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; and Independent Accountants' Report on an examination conducted in accordance with AICPA Professional Standards, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated April 6, 2022, should be considered in conjunction with this management letter.

**Prior Audit Findings**

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

**2020-001 Preparation of Financial Statements** – Corrective action taken.

**2020-002 Approval of Journal Entries** – Corrective action taken.

**2020-003 Reconciliation of Cash Accounts** – Corrective action taken.

**2020-004 Fund Deficits** – Corrective action taken.

**2020-005 Unexpended Balance – Building Permits** – Corrective action not taken. See 2021-005.

**Official Title and Legal Authority**

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

## **Financial Condition and Management**

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

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

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

### **2021-003 – State Revenue Accruals**

During our testing of revenues, we noted that the City did not record an accrual for the November 2021 disbursement of state revenues related to Communications Service Tax (CST), Half Cent Tax, Local Option Gas Tax, and franchise fee revenues. These revenues are collected by the state and utility provider in the month subsequent to when the original transaction occurred, then are remitted to the City in the following month, creating a two-month lag. During the year ended September 30, 2021, the City did not record the second month of revenue receivable, resulting in understated revenues and receivables of approximately \$150,000 that required adjustment. We recommend the City accrues these revenues for the two months after the fiscal year end that relate to amounts collected for the current fiscal year.

### **2021-004 – Interfund Activity**

We noted that Due To/From Other Funds activity was out of balance in total and required adjustment to balance the General Fund, Road & Bridge Fund, and Debt Service Fund interfund activity. We further noted several credit balances in Due From Other Funds accounts and several debit balances in Due To Other Funds accounts. We recommend management to establish a reconciliation process to ensure interfund activity is in balance and all such accounts are being properly used.

### **2021-005 – Unexpended Balance – Building Permits (Repeat Comment)**

Section 553.80(7)(a) of Florida Statutes has been updated to limit the amount of unexpended building permit funds carried forward to future fiscal years to no more than the City's average operating budget for enforcing the Florida Building Code for the previous four (4) fiscal years. A local government must use any funds in excess of this limitation to rebate or reduce fees. The City's unexpended building permit funds at September 30, 2021, exceeded the City's average operating budget for enforcing the Florida Building Code for the previous four fiscal years by approximately \$338,000. The City should identify how it intends to reduce the amount of unexpended building code balances in order to comply with Section 553.80(7)(a) of Florida Statutes. Such action may require the City to modify subsequent fiscal year budgets.

### **Special District Component Units**

Section 10.554(1)(i)5.c., Rules of the Auditor General, requires, if appropriate, that we communicate the failure of a special district that is a component unit of a county, municipality, or special district, to provide the financial information necessary for proper reporting of the component unit within the audited financial statements of the county, municipality, or special district in accordance with Section 218.39(3)(b), Florida Statutes. In connection with our audit, we did not note any special district component units; therefore, we did not note any such component units that failed to provide the necessary information, nor is any specific special district information required to be reported.

### **Additional Matters**

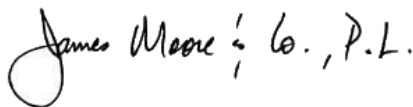
Section 10.554(1)(i)3., Rules of the Auditor General, requires us to communicate noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants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

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

The City's responses to the findings identified in our audit are described starting on page 48. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Letter**

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

A handwritten signature in black ink that reads "James Moore, Jr., P.L." The signature is written in a cursive style with a large initial "J" and a stylized "M".

Daytona Beach, Florida  
April 6, 2022



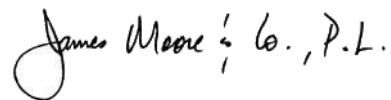
## INDEPENDENT ACCOUNTANTS' EXAMINATION REPORT

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

We have examined the City of St. Augustine Beach, Florida's (the City) compliance with Section 218.415, Florida Statutes, *Local Government Investment Policies*, for the year ended September 30, 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 with Section 218.415, Florida Statutes, *Local Government Investment Policies*, for the year ended September 30, 2021, in all material respects. An examination involves performing procedures to obtain evidence about the City's compliance with those requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of risks of material noncompliance with those requirements, 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.

In our opinion, the City of St. Augustine Beach, Florida complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2021.



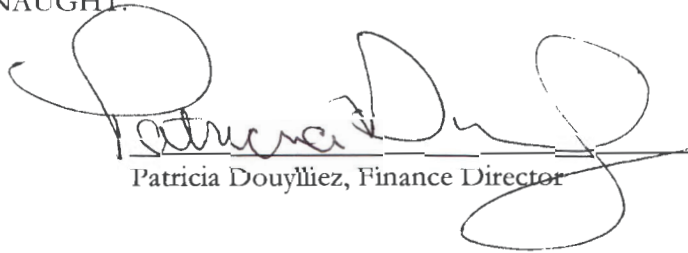
Daytona Beach, Florida  
April 6, 2022

### EXAMPLE AFFIDAVIT

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

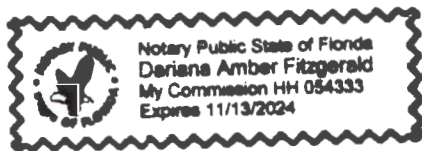
1. I am the Chief Financial Officer of City of St Augustine Beach which is a local governmental entity of the State of Florida;
2. City of St Augustine Beach entered into an interlocal agreement with the County of St. Johns on August 9, 2005, which allows the City to collect impact fees implemented by the County, adopted by County Ordinance No. 2005-27, as amended through County Ordinance 2018-16; and
3. City of St Augustine Beach has complied and, as of the date of this Affidavit, remains in compliance with Section 163.31801, Florida Statutes.


FURTHER AFFIANT SAYETH NAUGHT.

  
Patricia Douylliez, Finance Director

STATE OF FLORIDA  
COUNTY OF St. Johns

SWORN TO AND SUBSCRIBED before me this 2<sup>nd</sup> day of March, 2022



  
NOTARY PUBLIC  
Print Name Dariana Fitzgerald

Personally known X or produced identification \_\_\_\_\_

Type of identification produced: \_\_\_\_\_

My Commission Expires:

11/13/2024



## City of St. Augustine Beach

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

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

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

April 6, 2022

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

#### **2021-001 – Impact Fee Fund**

To comply with the new Florida State Statute regarding Impact Fees, the City made an effort to move the balances of the Impact Fees reserves and current year revenues & expenses to a new fund. In the move, a portion of the of the reserves were left in other funds due to the investment of moneys in a General Fund account. These balances will be transferred in the new year to finalize the setup of the new Impact Fee Fund.

#### **2021-002 – Review of Pay Changes**

The City recognizes that a pay rate change was entered into the payroll system incorrectly for one employee. The entry was a typographical mistake where a pay rate should have been \$21/hour and was entered as \$20/hour. In future years, once pay increases have been entered into the system, a report will be generated, and the HR Manager will review the approved pay rate list as compared to the report to ensure accuracy.

#### **2021-003 – State Revenue Accruals**

A financial check list has been put in place to ensure that revenues are recorded in the correct year. This check list will be reviewed by both the Finance Director and Finance Assistant.

#### **2021-004 – Interfund Activity**

The City has engaged the services of a consultant to assist with unusual journal entries and significant changes to the financials to ensure compliance and accuracy. This consultant will also assist with a review of the balance sheet accounts to ensure all activity is posted correctly and timely.

#### **2021-005 – Unexpended Balance – Building Permits (Repeat Comment)**

The City is aware of the balance being held for the building department and is working on reducing this amount over the next year. The Building Official continues to review permit fees as well as implementing new processes such as digital plan review.