

CITY OF FLAGLER BEACH, FLORIDA

FINANCIAL STATEMENTS

SEPTEMBER 30, 2021

CITY OF FLAGLER BEACH, FLORIDA
TABLE OF CONTENTS
SEPTEMBER 30, 2021

Independent Auditors' Report.....	1 - 2
Management's Discussion and Analysis.....	3 - 10
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Position.....	11
Statement of Activities.....	12
Fund Financial Statements	
Balance Sheet – Governmental Funds	13
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position.....	14
Statement of Revenues, Expenditures and Changes in Fund	
Balances – Governmental Funds.....	15
Reconciliation of the Statement of Revenues, Expenditures and	
Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	16
Statement of Net Position – Proprietary Funds.....	17
Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds.....	18
Statement of Cash Flows – Proprietary Funds	19
Statement of Fiduciary Net Position – Fiduciary Funds	20
Statement of Changes in Fiduciary Net Position – Fiduciary Funds	21
Notes to Financial Statements	22 - 50
Required Supplementary Information	
Schedules of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual:	
General Fund.....	52
Community Redevelopment Fund	53
Schedule of Changes in Total OPEB Liability and Related Ratios.....	54
Schedule of Changes in Net Pension Liability and Related Ratios – Police Plan.....	55
Schedule of Changes in Net Pension Asset and Related Ratios – Fire Plan	56
Schedule of Contributions – Police Plan.....	57
Schedule of Contributions – Fire Plan	58
Schedules of Investment Returns	59
Other Reports	
Independent Auditors' Report on Internal Control over Financial Reporting and On Compliance	
and Other Matters Based on an Audit of Financial Statements in Accordance with	
<i>Government Auditing Standards</i>	61 - 63
Independent Auditors' Management Letter Required by Chapter 10.550,	
Rules of the State of Florida Office of the Auditor General.....	64 - 66
Independent Accountants' Examination Report.....	67
Management's Response to Findings	68 - 69



INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor, City Commission, and City Manager,
City of Flagler Beach, Florida:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the City of Flagler 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 auditors' 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, the business-type activities, and each major fund of the City, as of September 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

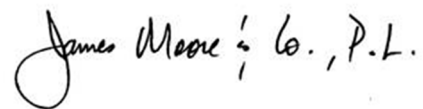
Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information, 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 July 8, 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 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, Esq., P.L." The signature is written in a cursive style with a large, looped initial "J".

Daytona Beach, Florida
July 8, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management of the City of Flagler Beach, Florida (hereinafter referred to as the "City") offers the readers of these basic financial statements this narrative overview and analysis of the City's financial activities for the fiscal year ended September 30, 2021. This discussion and analysis is designed to assist the reader in focusing on significant financial issues and activities and to identify any significant changes in financial position. The City encourages readers to consider the information presented here in conjunction with the financial statements, which follow this section.

Financial Highlights

- The total assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$55,187,226 (net position). Of this amount, \$14,171,596 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$3,558,068 in fiscal year 2021. Net position of the City's governmental activities increased (decreased) by \$625,468, while net position of its business type activities increased (decreased) by \$2,932,600.
- The City's governmental funds reported a combined ending fund balance of \$8,810,621 at the end of the current fiscal year, which increased (decreased) by \$855,081 in comparison to the \$7,955,540 reported at the end of the prior fiscal year. Approximately \$3,773,722 of this amount is available for spending at the City's discretion (unassigned fund balance).
- At the end of the 2021 fiscal year, unassigned fund balance for the General Fund was \$3,773,722 or 58% of the total fiscal year 2021 General Fund expenditures of \$6,452,924.
- The City's total long-term debt obligations decreased approximately \$300,000 during the fiscal year, due to standard payments on long-term debt, offset by the issuance of new state revolving fund loans of approximately \$500,000. The City's combined long-term commitment for compensated absences totaled \$252,684 at year-end.

Overview of the Financial Statements

The City's basic financial statements are comprised of three parts: 1) management's discussion and analysis, 2) the basic financial statements, including notes to the financial statements, and 3) required supplementary information, including various pension-related schedules.

Management's discussion and analysis (MD&A) is intended to serve as an introduction to the basic financial statements and required supplementary information. The MD&A represents management's examination and analysis of the City's financial condition and performance. Summary financial statement data, key financial and operational indicators used in the strategic plan, budget, as well as other management tools were used for this analysis.

The basic financial statements include two kinds of statements that present different views of the City. The first two statements consist of entity-wide financial statements that provide both the short- and long-term financial information about the City's overall financial status, including its governmental activities and its business-type activities. These statements report information about the City using full accrual accounting methods, and an economic resources focus, as utilized by similar business activities in the private sector. Information concerning the City's assets and liabilities, both financial and capital, and short-term and long-term debt are included. Likewise, all revenues and expenses received during the year, regardless of when cash is received or paid are reported. However, rate-regulated accounting principles applicable to private sector utilities are not used by governmental utilities. The remaining statements are

fund financial statements that focus on individual parts of the City government and report the City's operations in more detail than the government-wide financial statements. The governmental funds statements tell how general government services like public safety were financed in the short-term as well as what remains for future spending. Proprietary fund statements offer short-term and long-term financial information about the activities the government operates like businesses, such as the City's water and sewer utility system. Fiduciary fund statements provide information about the financial relationships in which the City acts solely as a trustee or agent for the benefit of others (like the retirement plans for the City's police officers and firefighters), to whom the resources in question belong.

The financial statements also include notes which provide required disclosures and other information that are essential to a full understanding of material data provided in the statements. The notes present information about the City's significant accounting policies, account balances and activities, material risks, obligations, commitments, contingencies and subsequent events, if any.

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information that further explains and supports the information in the financial statements. This section also contains budgetary comparisons for the City's governmental fund activities.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances in a manner similar to a private-sector business. The basic financial statements of the City include a statement of net position and a statement of activities, which are described as follows:

- A statement of net position presents information on all of the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources at the end of its fiscal year, with the difference between the four reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the City's financial position is improving or deteriorating. Net position increases when revenues exceed expenses. Increases to assets without a corresponding increase to liabilities results in increased net position, which indicates an improved financial condition.
- The statement of activities presents the results of business operations over the course of the fiscal year and information as to how the City's net position changed during the year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of 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 (e.g., delinquent taxes and earned but unused personal leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes 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 services, public safety (police, fire, and building inspection), roads and streets, physical environment (Community Redevelopment Agency), and culture and recreation. The business-type activities of the City include its water and sewer utility, stormwater utility, sanitation, and pier activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the City's most significant funds - not the City as a whole. 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 uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. These funds are reported using the modified accrual accounting method, which measures cash and all other financial assets that can be readily converted into cash. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations can be found on pages 15 and 17.

The City maintains two individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and community redevelopment fund both of which are considered to be major funds.

Proprietary Funds. Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary fund financial statements, like the government-wide statements, provide both long- and short-term financial information. The City's enterprise funds (water and sewer utility, stormwater utility, pier, and sanitation) are the items included in the business-type activities presented in the government-wide statements. Since the accounting for these operations is similar to that provided in the government-wide financial statements, the fund financial statements provide limited supplemental information in more detail, such as cash flows data. The basic proprietary fund financial statements can be found on pages 18 to 20 of this report.

Fiduciary Funds. Funds held in trust on behalf of the City's defined benefit pension plans, which account for the plan contribution activity, investment income, and benefit payments to retirees. The basic fiduciary fund financial statements can be found on pages 21 and 22 of this report.

Financial Analysis of the City as a Whole

Net Position. As noted previously, net position may serve over time as a useful indicator of a government's financial position. This year, the City's combined total assets exceeded liabilities (net position) by \$55,187,226 at the end of 2021, compared to \$51,629,158 at the end of 2020. This represents a total increase of \$3,558,068 or 6.9% from the amount reported at the end of the prior fiscal year.

The following is a summary of net position at year end:

Net Position
September 30, 2021 and 2020

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
ASSETS						
Current and other assets	\$ 9,282,355	\$ 8,423,537	\$ 13,174,252	\$ 11,173,795	\$ 22,456,607	\$ 19,597,332
Net pension asset	678,642	530,127	-	-	678,642	530,127
Capital assets	8,694,506	9,147,309	30,254,063	29,479,651	38,948,569	38,626,960
Total assets	<u>\$ 18,655,503</u>	<u>\$ 18,100,973</u>	<u>\$ 43,428,315</u>	<u>\$ 40,653,446</u>	<u>\$ 62,083,818</u>	<u>\$ 58,754,419</u>
DEFERRED OUTFLOWS	<u>\$ 754,870</u>	<u>\$ 724,813</u>	<u>\$ 5,297</u>	<u>\$ 5,641</u>	<u>\$ 760,167</u>	<u>\$ 730,454</u>
LIABILITIES						
Current liabilities	\$ 554,137	\$ 612,302	\$ 824,773	\$ 878,185	\$ 1,378,910	\$ 1,490,487
Noncurrent liabilities:	1,325,226	1,347,583	4,439,282	4,543,945	5,764,508	5,891,528
Total liabilities	<u>\$ 1,879,363</u>	<u>\$ 1,959,885</u>	<u>\$ 5,264,055</u>	<u>\$ 5,422,130</u>	<u>\$ 7,143,418</u>	<u>\$ 7,382,015</u>
DEFERRED INFLOWS	<u>\$ 513,341</u>	<u>\$ 473,700</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 513,341</u>	<u>\$ 473,700</u>
NET POSITION						
Net investment in capital assets	\$ 8,153,723	\$ 8,437,629	\$ 25,707,758	\$ 25,202,928	\$ 33,861,481	\$ 33,640,557
Restricted	2,874,571	2,364,195	4,279,578	4,087,281	7,154,149	6,451,476
Unrestricted	5,989,375	5,590,377	8,182,221	5,946,748	14,171,596	11,537,125
Total net position	<u>\$ 17,017,669</u>	<u>\$ 16,392,201</u>	<u>\$ 38,169,557</u>	<u>\$ 35,236,957</u>	<u>\$ 55,187,226</u>	<u>\$ 51,629,158</u>

The most significant component of the City's net position (approximately 61%) is, by far, its investment in capital assets (land, infrastructure, buildings, and equipment), less any related debt used to acquire or construct those assets that are 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's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position (13%) represents resources that are subject to external restrictions on how they may be used. Consequently, the remaining 26% of unrestricted net position, represents amounts that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements, and totaled \$14,171,596 at year-end, compared to \$11,537,125 in 2020. The main reason for the increase from prior year is related to increases in charges for services revenue and decreases in related expenses, offset by decreases in intergovernmental and grant revenues.

Changes in Net Position. While the statement of net position shows a snapshot of the City's financial position at the end of the fiscal year, the statement of changes in net position provides answers as to the nature and source of those changes. During 2021, total revenues were approximately \$16,000,000 compared to approximately \$16,500,000 in the prior year. Approximately 26% of the City's revenue came from property taxes, 10% from other taxes and fees, 43% came from fees charged for services, and most of the remaining revenue included state and federal financial assistance and other miscellaneous revenues.

During 2021, expenses were approximately \$12,400,000 as opposed to approximately \$13,300,000 in the prior year, for a decrease of approximately 7%. Governmental Funds experienced a decrease of approximately \$500,000 in total expenditures for the year, primarily due to decreases from the additional 2020 expenses in the Governmental Funds related to the COVID 19 Pandemic, providing Public Safety for our residents and our employees during that unprecedented time. Business Type Funds experienced a decrease of approximately \$500,000 in total expenditures for the year. The City had several large Utility Projects in process in 2020, notably fire hydrant repairs and replacements and a 16" Water Main Repair, and the City also underwent a one-time significant Sanitary Manhole/Wetwell rehab in 2020. These projects made up most of the decrease from 2020 to 2021.

The following is a summary of changes in net position at year end:

**Changes in Net Position
For the Fiscal Years Ended September 30, 2021 and 2020**

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
REVENUES						
Property taxes	\$ 4,207,460	\$ 4,134,768	\$ -	\$ -	\$ 4,207,460	\$ 4,134,768
Other taxes and fees	1,715,760	1,574,599	-	-	1,715,760	1,574,599
Charges for services	545,897	464,748	7,520,143	6,529,599	8,066,040	6,994,347
Intergovernmental and grants	868,262	1,573,458	891,330	1,713,330	1,759,592	3,286,788
Other revenues	167,806	167,883	76,696	303,384	244,502	471,267
Total revenues	<u>7,505,185</u>	<u>7,915,456</u>	<u>8,488,169</u>	<u>8,546,313</u>	<u>15,993,354</u>	<u>16,461,769</u>
EXPENSES						
General government	2,491,595	2,348,797	-	-	2,491,595	2,348,797
Public safety	3,354,045	3,803,822	-	-	3,354,045	3,803,822
Roads and streets	448,262	418,941	-	-	448,262	418,941
Physical environment - CRA	82,751	98,836	-	-	82,751	98,836
Culture and recreation	487,737	579,640	-	-	487,737	579,640
Water and sewer	-	-	3,441,923	3,797,198	3,441,923	3,797,198
Stormwater	-	-	1,242,181	1,336,783	1,242,181	1,336,783
Sanitation	-	-	221,591	233,132	221,591	233,132
Pier	-	-	548,203	547,080	548,203	547,080
Interest expense	15,327	17,529	101,671	118,536	116,998	136,065
Total expenses	<u>6,879,717</u>	<u>7,267,565</u>	<u>5,555,569</u>	<u>6,032,729</u>	<u>12,435,286</u>	<u>13,300,294</u>
Change in net position	<u>625,468</u>	<u>647,891</u>	<u>2,932,600</u>	<u>2,513,584</u>	<u>3,558,068</u>	<u>3,161,475</u>
Net position, beginning of year, as restated	<u>16,392,201</u>	<u>15,744,310</u>	<u>35,236,957</u>	<u>32,723,373</u>	<u>51,629,158</u>	<u>48,467,683</u>
Net position, end of year	<u>\$ 17,017,669</u>	<u>\$ 16,392,201</u>	<u>\$ 38,169,557</u>	<u>\$ 35,236,957</u>	<u>\$ 55,187,226</u>	<u>\$ 51,629,158</u>

*2020 beginning of year net position amounts have been restated.

Governmental Activities

Revenues for the City's governmental activities totaled \$7,505,185 in 2021. This represents a decrease of approximately \$500,000 less than last year's reported revenues of \$7,915,456, and is primarily related to the 2020 FEMA reimbursement related to Hurricane Michael and 2020 reimbursement from the CARES Act for COVID 19 Pandemic.

Governmental activities expenses totaled \$6,879,717, which decreased about \$400,000 from the prior year due to the 2020 impacts of Hurricane Michael and the pandemic.

Business-Type Activities

The major source of operating revenues for the City's business-type activities is charges for services (water and sewer, stormwater, sanitation, and pier), which during the year increased to a total of about \$1,000,000 more than the charges for services of \$6,529,599 in 2020.

Total operating expenses of the proprietary funds fund in 2021 and totaled \$5,453,898, compared to \$5,914,193 in 2020, a decrease of about \$500,000, primarily due to 2020 increased Capital Projects in Utilities and Stormwater Funds.

Financial Analysis of the City's Funds

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

Governmental Funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. As the City completed the year, its governmental funds reported a combined fund balance of \$8,810,621, which was an increase (decrease) of \$855,081 compared with the amount reported last year. This increase was primarily related to decreases from 2020 disaster recovery expenditures related to Hurricane Michael and the pandemic.

The general fund is the chief operating fund of the City. As of September 30, 2021, the unassigned fund balance in the general fund totaled \$3,773,722. This unassigned fund balance represents approximately 58% of the City's spending requirements experienced during 2021.

The City's community redevelopment fund had a fund balance of \$396,447 at the end of the year, an increase of about \$100,000 from the prior year. All amount held in this fund are restricted for reinvestment in the community redevelopment district.

Proprietary Fund. The City's proprietary fund financial statements provide the same type of information found in the government-wide financial statements, but in more detail.

Charges for services in the proprietary funds increased about \$1,000,000 from the prior year due to rate increases.

General Fund Budgetary Highlights

The tax revenues brought in about \$390,000 more than originally budgeted, and intergovernmental revenues brought in about \$340,000 more than originally budgeted as a result of federal grant revenues from Hurricane Michael, primarily related to expenditures for the City's Dune Walkovers project, and will offset current year expenditures for capital outlay. Other factors include lower interest earnings than budgeted by about \$110,000, and actual expenditures under the original budget by about \$380,000.

All of these factors combined resulted in \$745,919 increase to General Fund Balance for Fiscal Year 2021.

Capital Assets and Debt Administration

Capital Assets. At September 30, 2021, the City had nearly \$39 million invested in a broad range of capital assets, including land, buildings, park facilities, police equipment, public works equipment and water lines. See Note (6) for further information on the City's capital assets.

Long-Term Debt. The City has various notes and bonds payable totaling \$4,418,597 at year-end, compared to \$4,535,015 one year earlier. The proceeds of these loans, which were drawn in increments over various preceding years, were to fund utility projects as well as refund prior bonds and notes payable. Under these agreements, the City must repay these loans with semiannual payments.

More detailed information about the City's long-term debt is presented in Note (9) to the financial statements.

Economic Factors and Next Year's Budgets and Rates

Many factors are considered each year by the City Commission in its efforts to establish an operating budget, to evaluate its personnel needs, and to develop uniform user fees that are reasonable, and more importantly, capable of cost recovery. Some of the major factors considered in this process are the local economy, civilian labor force, unemployment rates, and inflation rates.

- Due to the COVID-19 pandemic budget forecasts for fiscal 2021 are in flux and impacts of the pandemic have lingered into the fiscal year.
- Unemployment began to stabilize, and property values increased slightly; this was considered by the City Commission with the adopted rate of 5.420. The rollback rate was 4.9570 mills by 9.34%
- Flagler Beach's economy thrives on tourism; with the direct impact of the pandemic in 2021, many of our local businesses have struggled and some have had to close. This factor was considered during budgeting for Utility Revenues.
- Development on the John Anderson Corridor, which is located in unincorporated Flagler County is underway, the City plans to provide water and sewer to this area per an Inter-local Agreement with Flagler County.

In summary, the City's financial position was strained by the uncertainty of the pandemic and the impact it had on the overall United States economy. However, despite these conditions, the economic and financial condition of the city remains strong due to grants, increased governmental revenues and charges for services delivered

Requests for Information

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. Questions concerning any of the information provided in this report, or requests for additional information should be addressed to the City of Flagler Beach, Finance Department Director, 105 South Second Street, Flagler Beach, FL 32136. Information can also be obtained at the City's website at www.cityofflaglerbeach.com.

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

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and investments	\$ 8,245,678	\$ 7,765,309	\$ 16,010,987
Receivables, net	177,459	1,024,870	1,202,329
Internal balances	483,422	(483,422)	-
Due from other governments	367,735	448,509	816,244
Prepays	8,061	124,384	132,445
Restricted assets:			
Cash and cash equivalents	-	101,968	101,968
Investments	-	4,086,576	4,086,576
Special assessments receivable	-	106,058	106,058
Net pension asset	678,642	-	678,642
Capital assets:			
Capital assets, not being depreciated	2,256,463	3,780,468	6,036,931
Other capital assets, net of depreciation	6,438,043	26,473,595	32,911,638
Total assets	<u>18,655,503</u>	<u>43,428,315</u>	<u>62,083,818</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	746,200	-	746,200
Deferred outflows related to OPEB	8,670	5,297	13,967
Total deferred outflows	<u>754,870</u>	<u>5,297</u>	<u>760,167</u>
LIABILITIES			
Accounts payable and accrued liabilities	410,695	603,853	1,014,548
Customer deposits	-	205,896	205,896
Unearned revenue	61,039	-	61,039
Accrued interest payable	-	15,024	15,024
Noncurrent liabilities:			
Due within one year:			
Notes payable	-	429,854	429,854
Capital lease payable	4,921	147,397	152,318
Compensated absences	77,482	42,325	119,807
Due in more than one year:			
Notes payable	535,000	3,453,743	3,988,743
Capital lease payable	862	104,697	105,559
Compensated absences	88,202	44,675	132,877
Total OPEB liability	354,558	216,591	571,149
Net pension liability	346,604	-	346,604
Total liabilities	<u>1,879,363</u>	<u>5,264,055</u>	<u>7,143,418</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	513,341	-	513,341
NET POSITION			
Net investment in capital assets	8,153,723	25,707,758	33,861,481
Restricted for:			
Infrastructure - capital assets and firetruck	1,702,837	4,192,634	5,895,471
Pensions	621,991	-	621,991
Law enforcement	13,504	-	13,504
Building department	139,792	-	139,792
Community redevelopment	396,447	-	396,447
Debt service	-	86,944	86,944
Unrestricted	5,989,375	8,182,221	14,171,596
Total net position	<u>\$ 17,017,669</u>	<u>\$ 38,169,557</u>	<u>\$ 55,187,226</u>

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

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

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
General government	\$ 2,491,595	\$ 106,212	\$ 240,515	\$ -	\$ (2,144,868)	\$ -	\$ (2,144,868)
Public safety	3,354,045	408,401	198,519	-	(2,747,125)	-	(2,747,125)
Physical environment - CRA	82,751	-	-	-	(82,751)	-	(82,751)
Roads and streets	448,262	-	204,499	-	(243,763)	-	(243,763)
Culture and recreation	487,737	31,284	-	-	(456,453)	-	(456,453)
Interest on long-term debt	15,327	-	-	-	(15,327)	-	(15,327)
Total governmental activities	6,879,717	545,897	643,533	-	(5,690,287)	-	(5,690,287)
Business-type activities:							
Water and sewer	3,511,109	5,245,979	-	825,883	-	2,560,753	2,560,753
Sanitation	1,250,603	1,338,978	2,478	-	-	90,853	90,853
Stormwater	245,654	544,728	-	-	-	299,074	299,074
Pier	548,203	457,828	62,969	-	-	(27,406)	(27,406)
Total business-type activities	5,555,569	7,587,513	65,447	825,883	-	2,923,274	2,923,274
Total primary government	<u>\$ 12,435,286</u>	<u>\$ 8,133,410</u>	<u>\$ 708,980</u>	<u>\$ 825,883</u>	<u>(5,690,287)</u>	<u>2,923,274</u>	<u>(2,767,013)</u>
General revenues:							
Property taxes					4,207,460	-	4,207,460
Sales taxes					208,424	-	208,424
Infrastructure surtax					219,440	-	219,440
Communications service tax					179,174	-	179,174
Casualty and fire insurance premium taxes					112,747	-	112,747
Public service taxes					779,953	-	779,953
Franchise fees					328,769	-	328,769
State revenue sharing					111,982	-	111,982
Investment earnings					1,581	9,326	10,907
Miscellaneous revenues					33,829	-	33,829
Gain on sale of capital assets					132,396	-	132,396
Total general revenues and transfers					6,315,755	9,326	6,325,081
Change in net position					625,468	2,932,600	3,558,068
Net position - beginning of year					16,392,201	35,236,957	51,629,158
Net position - ending of year					<u>\$ 17,017,669</u>	<u>\$ 38,169,557</u>	<u>\$ 55,187,226</u>

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

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

	<u>General</u>	<u>Community Redevelopment</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and investments	\$ 7,820,838	\$ 424,840	\$ 8,245,678
Receivables, net	177,459	-	177,459
Due from other governments	367,735	-	367,735
Due from other funds	45,998	962	46,960
Prepaid items	8,061	-	8,061
Advances to other funds	460,944	-	460,944
Total assets	<u>\$ 8,881,035</u>	<u>\$ 425,802</u>	<u>\$ 9,306,837</u>
LIABILITIES			
Accounts payable and accrued liabilities	\$ 403,933	\$ 6,762	\$ 410,695
Unearned revenue	61,039	-	61,039
Due to other funds	1,889	22,593	24,482
Total liabilities	<u>466,861</u>	<u>29,355</u>	<u>496,216</u>
FUND BALANCES			
Nonspendable:			
Prepaid items	8,061	-	8,061
Advances to other funds	460,944	-	460,944
Restricted for:			
Law enforcement	13,504	-	13,504
A1A land purchases	18,490	-	18,490
Infrastructure - capital assets	1,277,588	-	1,277,588
Infrastructure - fire truck	406,759	-	406,759
Building department	139,792	-	139,792
Community redevelopment projects	-	396,447	396,447
Assigned to:			
Beach related purchases	13,651	-	13,651
Police and fire radios	30,000	-	30,000
Fire equipment	20,000	-	20,000
Computer hardware	7,437	-	7,437
Land purchases	485,502	-	485,502
Street lighting	31,989	-	31,989
Subsequent year's budget	1,726,735	-	1,726,735
Unassigned	3,773,722	-	3,773,722
Total fund balances	<u>8,414,174</u>	<u>396,447</u>	<u>8,810,621</u>
Total liabilities and fund balances	<u>\$ 8,881,035</u>	<u>\$ 425,802</u>	<u>\$ 9,306,837</u>

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

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

Fund balances - total governmental funds \$ 8,810,621

Amounts reported for governmental activities in the statement of activities 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	18,051,613	
Less: accumulated depreciation	<u>(9,357,107)</u>	8,694,506

On the governmental fund statements, a net pension asset (liability) is not recorded until an amount is 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 asset (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	(346,604)	
Net pension asset	678,642	
Deferred outflows related to pensions	746,200	
Deferred inflows related to pensions	<u>(513,341)</u>	564,897

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. Additionally, deferred outflows related to OPEB are also reported.

Total OPEB liability	(354,558)	
Deferred outflows related to OPEB	<u>8,670</u>	(345,888)

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, deferred outflows, and other debt-related deferred charges consist of the following:

Bonds and notes payable	(535,000)	
Capital leases payable	(5,783)	
Compensated absences	<u>(165,684)</u>	(706,467)

Net position of governmental activities		<u><u>\$ 17,017,669</u></u>
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The accompanying notes to financial statements are an integral part of this statement.

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

	General	Community Redevelopment	Total Governmental Funds
Revenues			
Taxes	\$ 5,261,224	\$ 333,227	\$ 5,594,451
Permits and fees	787,615	-	787,615
Intergovernmental	868,262	-	868,262
Charges for services	24,595	-	24,595
Fines and forfeitures	64,221	-	64,221
Investment income	1,581	-	1,581
Miscellaneous	33,849	-	33,849
Total revenues	<u>7,041,347</u>	<u>333,227</u>	<u>7,374,574</u>
Expenditures			
Current:			
General government	1,960,660	-	1,960,660
Public safety	3,290,632	-	3,290,632
Roads and streets	429,166	-	429,166
Physical environment	-	82,751	82,751
Culture and recreation	411,805	-	411,805
Capital outlay	355,614	-	355,614
Debt service:			
Principal retirement	4,774	118,000	122,774
Interest and fiscal charges	273	23,314	23,587
Total expenditures	<u>6,452,924</u>	<u>224,065</u>	<u>6,676,989</u>
Excess (deficiency) of revenues over expenditures	<u>588,423</u>	<u>109,162</u>	<u>697,585</u>
Other financing sources (uses)			
Sale of capital assets	<u>157,496</u>	<u>-</u>	<u>157,496</u>
Total other financing sources (uses)	<u>157,496</u>	<u>-</u>	<u>157,496</u>
Net change in fund balances	<u>745,919</u>	<u>109,162</u>	<u>855,081</u>
Fund balances, beginning of year	7,668,255	287,285	7,955,540
Fund balances, end of year	<u><u>\$ 8,414,174</u></u>	<u><u>\$ 396,447</u></u>	<u><u>\$ 8,810,621</u></u>

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

CITY OF FLAGLER 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 **\$ 855,081**

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.

Capital outlay expenditures	355,614
Depreciation expense	(783,317)

The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins, donations, CIP project abandoned) is to decrease net position.	(25,100)
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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 and capital leases payable	122,774
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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.

Change in net pension asset/liability and deferred inflows/outflows related to pensions	169,717
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Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. These adjustments are as follows:

Change in accrued interest on long-term debt	8,260
Change in compensated absences liability	13,087
Change in total OPEB liability and deferred outflows related to OPEB	(90,648)

Change in net position of governmental activities	\$ 625,468
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The accompanying notes to financial statements are an integral part of this statement.

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

	Business-type Activities - Enterprise Funds				
	Water and Sewer	Sanitation	Stormwater	Pier	Total
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 2,767,079	\$ 249,055	\$ 415,682	\$ 706	\$ 3,432,522
Investments	3,133,579	1,096,928	102,280	-	4,332,787
Accounts receivable, net	831,918	124,401	48,574	19,977	1,024,870
Due from other governments	388,945	-	-	59,564	448,509
Prepaid items	-	-	-	124,384	124,384
Due from other funds	9	76,742	31,340	61	108,152
Restricted current assets					
Cash and cash equivalents	100,224	1,744	-	-	101,968
Total current assets	<u>7,221,754</u>	<u>1,548,870</u>	<u>597,876</u>	<u>204,692</u>	<u>9,573,192</u>
Noncurrent assets:					
Restricted investments	4,086,576	-	-	-	4,086,576
Special assessments receivable - restricted	106,058	-	-	-	106,058
Capital assets:					
Capital assets, not being depreciated	2,199,956	-	1,574,862	5,650	3,780,468
Other capital assets, net of depreciation	19,904,471	749,512	4,597,824	1,221,788	26,473,595
Total noncurrent assets	<u>26,297,061</u>	<u>749,512</u>	<u>6,172,686</u>	<u>1,227,438</u>	<u>34,446,697</u>
Total assets	<u>33,518,815</u>	<u>2,298,382</u>	<u>6,770,562</u>	<u>1,432,130</u>	<u>44,019,889</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows related to OPEB	<u>3,918</u>	<u>1,007</u>	<u>191</u>	<u>181</u>	<u>5,297</u>
LIABILITIES					
Current liabilities:					
Accounts payable and accrued liabilities	525,001	43,548	5,285	30,019	603,853
Deposits	196,896	-	-	9,000	205,896
Due to other funds	126,798	3,832	-	-	130,630
Compensated absences	32,699	6,032	1,088	2,506	42,325
Payable from restricted assets:					
Current maturities of capital lease payable	9,842	132,634	4,921	-	147,397
Current maturities on long-term debt	429,854	-	-	-	429,854
Accrued interest payable	13,280	1,744	-	-	15,024
Total current liabilities	<u>1,334,370</u>	<u>187,790</u>	<u>11,294</u>	<u>41,525</u>	<u>1,574,979</u>
Noncurrent liabilities:					
Notes payable	2,607,743	-	846,000	-	3,453,743
Capital lease payable	1,741	102,086	870	-	104,697
Advances from other funds	-	-	-	460,944	460,944
Compensated absences	32,909	8,342	1,739	1,685	44,675
Total OPEB liability	160,218	41,167	7,788	7,418	216,591
Total noncurrent liabilities	<u>2,802,611</u>	<u>151,595</u>	<u>856,397</u>	<u>470,047</u>	<u>4,280,650</u>
Total liabilities	<u>4,136,981</u>	<u>339,385</u>	<u>867,691</u>	<u>511,572</u>	<u>5,855,629</u>
NET POSITION					
Net investment in capital assets	18,662,169	514,792	5,320,895	1,209,902	25,707,758
Restricted for debt service	86,944	-	-	-	86,944
Restricted for capital expansion	4,192,634	-	-	-	4,192,634
Unrestricted	6,444,005	1,445,212	582,167	(289,163)	8,182,221
Total net position	<u>\$ 29,385,752</u>	<u>\$ 1,960,004</u>	<u>\$ 5,903,062</u>	<u>\$ 920,739</u>	<u>\$ 38,169,557</u>

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

CITY OF FLAGLER BEACH, FLORIDA
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Business-type Activities - Enterprise Funds				
	Water & Sewer	Sanitation	Stormwater	Pier	Total
Operating revenues					
Charges for services	\$ 5,201,652	\$ 1,320,105	\$ 540,558	\$ 457,828	\$ 7,520,143
Other revenues	44,327	18,873	4,170	-	67,370
Total operating revenues	5,245,979	1,338,978	544,728	457,828	7,587,513
Operating expenses					
Personal services	1,480,956	407,210	88,757	125,450	2,102,373
Operating expenses	962,280	730,919	18,777	319,463	2,031,439
Depreciation	998,687	104,052	114,057	103,290	1,320,086
Total operating expenses	3,441,923	1,242,181	221,591	548,203	5,453,898
Operating income (loss)	1,804,056	96,797	323,137	(90,375)	2,133,615
Nonoperating revenues (expenses)					
Investment earnings	7,611	1,024	691	-	9,326
Intergovernmental grants	-	2,478	-	62,969	65,447
Interest and amortization expense	(69,186)	(8,422)	(24,063)	-	(101,671)
Total nonoperating revenues (expenses)	(61,575)	(4,920)	(23,372)	62,969	(26,898)
Income (loss) before contributions and transfers	1,742,481	91,877	299,765	(27,406)	2,106,717
Capital contributions	325,883	-	-	-	325,883
Capital grants	500,000	-	-	-	500,000
Change in net position	2,568,364	91,877	299,765	(27,406)	2,932,600
Net position, beginning of year	26,817,388	1,868,127	5,603,297	948,145	35,236,957
Net position, end of year	<u>\$ 29,385,752</u>	<u>\$ 1,960,004</u>	<u>\$ 5,903,062</u>	<u>\$ 920,739</u>	<u>\$ 38,169,557</u>

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

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

	Business-type Activities - Enterprise Funds				
	Water & Sewer	Sanitation	Stormwater	Pier	Total
Cash flows from operating activities					
Cash received from customers	\$ 4,916,085	\$ 1,331,550	\$ 539,524	\$ 476,531	\$ 7,263,690
Cash paid to employees	(1,455,133)	(395,405)	(88,341)	(126,781)	(2,065,660)
Cash paid to suppliers	(942,619)	(732,041)	(102,045)	(303,337)	(2,080,042)
Net cash provided by (used in) operating activities	<u>2,518,333</u>	<u>204,104</u>	<u>349,138</u>	<u>46,413</u>	<u>3,117,988</u>
Cash flows from noncapital financing activities					
Intergovernmental grant proceeds	-	2,478	-	62,969	65,447
Interfund loans	78,254	(46,044)	(19,331)	(35,200)	(22,321)
Net cash provided by (used in) noncapital financing activities	<u>78,254</u>	<u>(43,566)</u>	<u>(19,331)</u>	<u>27,769</u>	<u>43,126</u>
Cash flows from capital and related financing activities					
Impact fees	325,883	-	-	-	325,883
Acquisition and construction of capital assets	(1,868,960)	(41,971)	(107,439)	(76,128)	(2,094,498)
Capital grants	500,000	-	-	-	500,000
Principal payments of long-term debt	(404,444)	(128,315)	(98,767)	-	(631,526)
Proceeds from issuance of long-term debt	418,345	-	-	-	418,345
Interest paid	(71,400)	(9,827)	(24,063)	-	(105,290)
Net cash provided by (used in) capital and related financing activities	<u>(1,100,576)</u>	<u>(180,113)</u>	<u>(230,269)</u>	<u>(76,128)</u>	<u>(1,587,086)</u>
Cash flows from investing activities					
Interest received	7,611	1,024	691	-	9,326
Purchases of investments	(284,020)	288	(159)	-	(283,891)
Net cash provided by (used in) investing activities	<u>(276,409)</u>	<u>1,312</u>	<u>532</u>	<u>-</u>	<u>(274,565)</u>
Net change in cash and cash equivalents	<u>1,219,602</u>	<u>(18,263)</u>	<u>100,070</u>	<u>(1,946)</u>	<u>1,299,463</u>
Cash and cash equivalents, beginning of year	<u>1,647,701</u>	<u>269,062</u>	<u>315,612</u>	<u>2,652</u>	<u>2,235,027</u>
Cash and cash equivalents, end of year	<u>\$ 2,867,303</u>	<u>\$ 250,799</u>	<u>\$ 415,682</u>	<u>\$ 706</u>	<u>\$ 3,534,490</u>
Cash and cash equivalents classified as:					
Unrestricted	\$ 2,767,079	\$ 249,055	\$ 415,682	\$ 706	\$ 3,432,522
Restricted	100,224	1,744	-	-	101,968
Total cash and cash equivalents	<u>\$ 2,867,303</u>	<u>\$ 250,799</u>	<u>\$ 415,682</u>	<u>\$ 706</u>	<u>\$ 3,534,490</u>
Reconciliation of operating income to net cash provided by (used in) operating activities:					
Operating income (loss)	\$ 1,804,056	\$ 96,797	\$ 323,137	\$ (90,375)	\$ 2,133,615
Adjustments to reconcile net operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation	998,687	104,052	114,057	103,290	1,320,086
Changes in assets and liabilities:					
Accounts receivable	(157,542)	(12,308)	(5,204)	(12,587)	(187,641)
Due from other governments	(210,464)	4,880	-	31,290	(174,294)
Special assessments receivable	40,114	-	-	-	40,114
Prepaid items	-	-	-	(812)	(812)
Accounts payable and accrued liabilities	19,661	(1,122)	(83,268)	16,938	(47,791)
Deposits	(2,002)	-	-	-	(2,002)
Compensated absences	(15,138)	1,281	(1,574)	(3,228)	(18,659)
Total OPEB liability	40,961	10,524	1,990	1,897	55,372
Net cash provided by (used in) operating activities	<u>\$ 2,518,333</u>	<u>\$ 204,104</u>	<u>\$ 349,138</u>	<u>\$ 46,413</u>	<u>\$ 3,117,988</u>

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

CITY OF FLAGLER BEACH, FLORIDA
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
SEPTEMBER 30, 2021

	Pension Trust Funds
ASSETS	
Cash and cash equivalents with trustee	\$ 59,387
Receivables	
Employee contributions receivable	622
State premium taxes	112,747
Total receivables	113,369
Investments, at fair value	
Mutual funds - equity	5,959,832
Mutual funds - fixed income	2,084,353
Total investments	8,044,185
Total assets	8,216,941
LIABILITIES	
Accounts payable	10,361
Prepaid employer contributions	4,652
Total liabilities	\$ 15,013
NET POSITION	
Restricted for pensions	\$ 8,201,928

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

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

	Pension Trust Funds
Additions	
Contributions:	
Employer	\$ 218,104
Plan members	119,807
State - insurance premium taxes	112,747
Total contributions	<u>450,658</u>
Investment earnings:	
Net appreciation (depreciation) in fair value of investments	1,289,547
Interest and dividends	130,948
Total investment earnings	<u>1,420,495</u>
Less: investment expense	<u>(24,500)</u>
Net investment income (loss)	<u>1,395,995</u>
Total additions	<u>1,846,653</u>
Deductions	
Benefit payments and refunds	303,779
Administrative expenses	78,470
Total deductions	<u>382,249</u>
Change in net position	<u>1,464,404</u>
Net position restricted for pensions, beginning of year	6,737,524
Net position restricted for pensions, end of year	<u><u>\$ 8,201,928</u></u>

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

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

(1) Summary of Significant Accounting Policies:

The financial statements of the City of Flagler 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 and the City has adopted the GASB Codification. The following is a summary of the City's significant accounting policies:

(a) **Reporting entity**—The City of Flagler Beach (City), Florida, Flagler County (County), a political subdivision incorporated in 1946, under the authority of Chapter 165 *Florida Statutes*, was established by Chapter 11.481 Laws of Florida Acts of 1925. The City operates under a Commission-Manager form of government and provides the following services, as authorized by the City Charter: public safety (police, fire, and building departments), highways and streets, culture/recreation, public improvements, planning and zoning, and general government services. As required by accounting principles generally accepted in the United States of America (GAAP), these financial statements present the government and its component units, entities for which the government is considered to be financial accountable. Blended component units, although legally separate entities, are in substance, part of the City's operations and so, data from these units are combined with the data of the primary government. Each discretely presented component unit, on the other hand, is reported in a separate column in the combined financial statements to emphasize that it is legally separate from the City. The City has no discretely presented component units to report.

(b) **Blended component units**—The City has one blended component units, as follows:

The Flagler Beach Community Redevelopment Agency (the CRA) is operated by the City. The CRA was created by City Ordinance 95-24 and 97-21 pursuant to Florida Statute 163.387, for the purpose of rehabilitation, conservation and redevelopment of specific downtown areas of the City. Since the City is financially accountable for the activities of the CRA, its governing commission is the same, and its relationship to the City is significant, its financial activities are reported on a blended basis as if it were part of the primary government as a major special revenue fund.

(c) **Government-wide and fund financial statements**—The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report aggregated information for the overall government for all of the activities of the primary government. These statements do not report fiduciary funds or fiduciary component units such as retirement trust funds. Those activities are reported only in fund financial statements. The effect of interfund activity has been removed from these statements.

Governmental activities, which normally are supported by taxes, intergovernmental revenues, and other nonexchange revenues, are reported separately from business-type activities, which are financed wholly or partially by fees charged to external parties for goods or services and are reported in enterprise funds.

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

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

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

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

(d) **Measurement focus, basis of accounting, and financial statement presentation**—The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures. Government resources are allocated to, and accounted for in, individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

The accounting and financial reporting treatment is determined by the applicable measurement focus and the basis of accounting. The basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. The basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. Measurement focus indicates the type of resources being measured such as current financial resources (current assets less current liabilities) or economic resources (all assets and liabilities).

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers property tax revenues to be available if they are collected within 60 days of the end of the current fiscal period. Grants, other intergovernmental revenues, charges for services, licenses 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. All other revenue items are considered to be measurable and available only when cash is received by the City.

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

The City reports the following major governmental funds:

General Fund—The General Fund is the principal fund of the City which accounts for all financial transactions not accounted for in other funds. The majority of current operating expenditures of the City other than proprietary fund activities are financed through revenues received by the General Fund.

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

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

The Flagler Beach Community Redevelopment Agency Fund—The City's special revenue fund. It accounts for revenue sources that are legally restricted to expenditures for the CRA.

The City reports the following major proprietary funds:

Water and Sewer Fund—The Water and Sewer Fund accounts for the costs and recovery of costs in the form of user charges related to the production, treatment and distribution of potable water.

Sanitation Fund—The Sanitation Fund accounts for the costs and recovery of costs in the form of user charges related to the collection, treatment and disposal of sewage waste with the City.

Stormwater Fund—The Stormwater Fund accounts for the collection of drainage fees utilized for the expansion and maintenance of drainage facilities.

Pier Fund—The Pier Fund accounts for the operations and maintenance of the City pier.

Additionally, the City reports the following fund types:

Pension Trust Funds—The Pension Trust Funds account for the net position held in trust for defined pension benefits and the related financial activities of the employees' retirement system, which accumulates resources for defined pension benefit payments to the Municipal Police Officers' Retirement Trust Fund and the Municipal Firefighters' Pension Trust Fund.

As a general rule, the effect of the City's interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the City's water and sewer function and various other functions. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments (when applicable). Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

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

(e) **Budgets and budgetary accounting**—Annual budgets for all governmental and proprietary 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 proprietary funds' budgets are prepared on a full accrual basis of accounting. The City uses the following procedures in establishing the budgetary data reflected in the accompanying financial statements:

- i. On or before July 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 made available to the public.
- iv. Prior to October 1st, 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 Commission must approve all inter-departmental budget amendments and/or appropriations transfers.
- vii. Budgetary control is exercised at the department level.
- viii. 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. The general and special revenue funds have legally adopted budgets.

The budgets for proprietary funds that were either adopted or amended during the year by the City Commission were prepared using the accrual basis of accounting in accordance with generally accepted accounting principles. The water, sewer, sanitation, and stormwater funds also have legally adopted annual budgets.

(f) **Deposits and investments**—The City's cash and cash equivalents include cash on hand, demand deposits and short-term investments that are readily convertible to known amounts of cash. Investments with original maturities of three months or less are considered to be cash equivalents.

The City has adopted the reporting required by Accounting and Financial Reporting for Certain Investments and for External Investment Pools. All investments including investments in the City's fiduciary funds are recorded at fair value based on quoted market values, except for the City's investments in the Florida PRIME portion of the State Investment Pool, which are reported at amortized cost, which approximates fair value.

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

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

(g) **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 “due to/from other funds” (i.e., the current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

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. Utility operating sales are generally recognized on the basis of cycle billings rendered monthly. Unbilled accounts receivable are accrued by the City at September 30th, to recognize the sales revenues earned between the last meter reading dates made in mid-September through the end of the fiscal year.

(h) **Prepaid items**—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.

(i) **Capital assets**—Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, drainage improvements, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life of greater than one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized, but charged to operating expense as incurred. Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

Assets	Years
Buildings	15 – 50 years
Improvements	10 – 50 years
Machinery and equipment	5 – 15 years
Infrastructure	40 years

(j) **Compensated absences**—The City reports compensated absences in the applicable governmental or business-type activity columns in the governmental-wide financial statements. The portion of employee payroll costs paid subsequent to year end attributable to services performed prior to year end and accumulated unpaid vacation, sick leave, and personal leave is recorded and recognized as a current liability. The remainder of the liability for compensated absences payable beyond the current period is recorded as a long-term liability.

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

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

(k) **Long-term obligations**—In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Original issue bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. In the fund financial statements, governmental fund types recognize premiums and discounts, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

(l) **Fund equity**—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 – amounts not available to be spent or not in spendable form, such as inventory and prepaid items.

Restricted – amounts constrained to specific purposes by their providers (such as grantors and higher levels of government), through constitutional provisions or by enabling legislation.

Committed – amounts constrained to specific purposes based on actions taken by the City Commission through ordinance.

Assigned – amounts the City intends to use for a specific purpose. Intent can be expressed by City Commission or by an official or body which the City Commission delegates authority.

Unassigned – amounts that are available for any purpose. Positive amounts are reported only in the General Fund.

When an expenditure is incurred for purposes for which both restricted and unrestricted resources are available; the City considers restricted funds to have been spent first. When expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds and finally, unassigned funds, as needed.

(m) **Deferred outflows/inflows of resources**—In addition to assets, the statement of financial position will sometimes report a separate section for *deferred outflows of resources*. This separate financial statement element 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. The City has multiple items, deferred outflows related to pensions and OPEB in the proprietary funds and government-wide statement of net position, which qualify for reporting in this category. Deferred outflows related to pensions are discussed further in Note (13) and deferred outflows related to OPEB are discussed further in Note (12).

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

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

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 represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. The City has multiple items, deferred inflows related to pensions and OPEB in the proprietary funds and government-wide statement of net position, which qualify for reporting in this category. Deferred inflows related to pensions are discussed further in Note (13) and deferred inflows related to OPEB are discussed further in Note (12).

(n) **Property taxes**—Property tax revenues are recognized when levied, to the extent that they result in current receivables. Details of the property tax calendar are presented below:

Lien date	June 1
Levy date	November 1
Discount periods	November – February
No discount period	March
Delinquent date	April 1

(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.

(p) **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.

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

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

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

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

(3) Deposits and Investments:

The City's investment policies are governed by Chapter 280 and 218, Florida Statutes. For all investments authorized by statute the City applies the "Prudent Person" standard when developing investment strategies. The basic allowable investment instruments are as follows:

The Local Government Surplus Trust Funds or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act of 1969, as provided in s. 163.01

Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency

Interest bearing time deposits or savings accounts in qualified public depositories as defined in Chapter 280, Florida Statutes

Direct obligations of the United States Treasury

Deposits include cash on hand and amounts held in the City's demand accounts. At September 30, 2021, the carrying amount of the City's deposits was \$3,284,909. Each demand account is insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Any balance in excess of FDIC insurance is covered by collateral held by the City's custodial bank, which is pledged to a state trust fund that provides security in accordance with Florida Security for Public Deposits Act, Chapter 280, Florida Statutes.

The Florida Security for Public Deposits Act (the Act) established guidelines for qualification and participation by banks and savings associations, procedures for the administration of the collateral requirements and characteristics of eligible collateral. Under the Act, the qualified public depository must pledge at least 50 percent of the average daily balance for each month of all public deposits in excess of any applicable deposit insurance. Additional collateral, up to a maximum of 125 percent, may be required, if deemed necessary under the conditions set forth in the Act.

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 is delivered to the Treasurer. Under the Act, the pool may assess participating financial institutions on a pro rata basis to fund any shortfall in the event of the failure of a member institution.

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 has no investment policy that would limit its investment choices due to credit risk other than State statutes governing investments listing in Florida Statutes, Section 218.415.

Custodial Credit Risk—Deposits: In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. Pursuant to the applicable provisions of Chapter 280, Florida Statutes, *The Florida Security for Public Deposits Act*, the State of Florida, Department of Financial Services, Division of Treasury, Bureau of Collateral Management have established specific requirements relative to the security and collateralization for public deposits. Accordingly, banks qualifying as a public depository in the State of Florida must adopt the necessary procedures outlined in these statutes and meet all of the requirements of this chapter to be designated by the State Chief Financial Officer (CFO) as eligible to receive deposits from municipal depositories. Collateral having a market value equal to 50% of the average daily balance for each month of all public deposits in excess of any applicable depository insurance is required to be pledged or deposited with the State CFO to secure such deposits. Additional

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

(3) Deposits and Investments: (Continued)

collateral, up to a maximum of 125% may be required if deemed necessary under the conditions set forth in the Act. Securities eligible to be pledged as collateral are generally limited to obligations of the United States government and any state thereof and are held in the name of the State CFO's office. Compliance with the provisions of Chapter 280, Florida Statutes, is monitored by a Qualified Public Depository Oversight Board with members appointed by the State CFO.

The City invests temporarily idle resources in the Local Government Investment Pool (State Pool). The State Pool is administered by the Florida Prime Investment Pool, who provides regulatory oversight. Florida Prime Investment Pool (Florida PRIME) is 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 Statement No. 31, as amended by GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, 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; 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.

The City has investments in Florida Municipal Investment Trust (FMIT). The FMIT is an external pool established in 1993 and administered by the Florida League of Cities, Inc. pursuant to the laws of the State of Florida. The FMIT is exempt from registration under the Securities Act of 1933, the Investment Company Act of 1940 and the Florida Securities and Investors Protection Act. Participants in the FMIT are limited to governmental entities in the State of Florida. The FMIT has adopted GASB Statement No. 31, as amended by GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, and the fair value of the City's position in the FMIT is the same as the fair value of the FMIT shares. The investment in the pool is not evidenced by securities that exist in physical or book entry form.

The City measures and records its investments, assets whose use is limited, and restricted assets using fair value measurement guidelines, which recognize a three-tiered fair value hierarchy, as follows:

- *Level 1:* Quoted prices for identical investments in active markets;
- *Level 2:* Observable inputs other than quoted market prices; and,
- *Level 3:* Unobservable inputs.

The following chart shows the City's cash and investment accounts by investment portfolios and their respective maturities (in years) and fair value measurement levels as of September 30, 2021:

Investment Type	Carrying Value	Weighted Average Maturity (years)	Credit Rating (Fitch)	Fair Value Hierarchy Classification
Pooled Funds – 0-2 Year High Quality Bond Fund	\$ 2,689,148	0.80	AAAf/S1	Level 2
Pooled Funds – 1-3 Year High Quality Bond Fund	3,720,496	1.50	AAAf/S2	Level 2
Pooled Funds – Intermediate High Quality Bond Fund	1,688,097	3.90	AAAf/S3	Level 2
Florida PRIME	8,716,657	49 days	AAAm(S&P)	N/A
Cash and cash equivalents	3,385,133	N/A	NR	N/A
Total Portfolio	\$ 20,199,531			

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

(3) Deposits and Investments: (Continued)

Pension Plan Investments

The City's Pension plans have adopted investment policies which authorizes the pension managers to invest in the following:

Police Plan—Money market accounts, fixed income investments rated "A" or better (10% individual issuer limitation), equities traded on a national stock exchange (5% issuer limitation), and pooled funds such as mutual funds and ETFs.

Fire Plan—Money market accounts, fixed income investments rated "A" or better (10% individual issuer limitation), equities traded on a national stock exchange (5% issuer limitation), and pooled funds such as mutual funds and ETFs.

The pension plans measure and record investments using fair value measurement guidelines utilizing the same three-tiered fair value hierarchy as the City.

The following is a description of the valuation techniques used for assets measured at fair value:

Corporate and Municipal Debt Obligations—Valued based on face value of the instruments adjusted for inflation and interest maturities.

Corporate and Equity Securities—Valued at fair value based on quoted market prices at year end.

Mutual Funds (fixed income and equity)—Valued based on face value of the instruments adjusted for inflation and interest maturities.

Real Estate Funds—Valued based upon the underlying investments' most recent audited financial statements.

A summary of investments held at fair value as of September 30, 2021, is as follows:

	<u>Fair Value</u>	<u>Level 1</u>
Investments, at fair value		
U.S. Treasury obligations	\$ 2,960,395	\$ 2,960,395
Corporate equity securities	3,039,161	3,039,161
Mutual funds - fixed income	<u>2,044,629</u>	<u>2,044,629</u>
Total investments	<u><u>\$ 8,044,185</u></u>	<u><u>\$ 8,044,185</u></u>

The pension plans also held a total of \$59,387 of cash and cash equivalents held in the pension trust funds.

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of investments. Generally, the longer the time to maturity, the greater the exposure to interest rate risk. The City's investment policy requires diversifying investments to control the risk of loss resulting from over-concentrations of assets in a specific maturity.

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

(3) Deposits and Investments: (Continued)

Credit Risk: Credit risk is the risk that a debt issuer or other counter-party to an investment will not fulfill its obligations. The Pension Plans utilize portfolio diversification in order to limit investments to the highest rated securities as rated by nationally recognized rating agencies and credit rating limitations are in place through the plan investment policies. All investments rated within the investment policy guidelines at September 30, 2021.

Concentration of Credit Risk: The City's pension plans have varying limitations on investment in single-issuers as discussed in the authorized investments note. At September 30, 2021, the investment portfolios met the single issuer limitations.

Custodial Credit Risk: Custodial credit risk is the risk that the City may not recover cash and investments held by another party in the event of financial failure. Custodial credit risk is limited since investments are held in independent custodial safekeeping accounts or mutual funds.

Foreign Currency Risk: Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. The Pension trust funds policies allow for up to 25% percent of its investments in common stock, capital stock and convertible securities at market value in foreign securities. At September 30, 2021, the investment portfolios met the foreign securities limitations.

(4) Accounts Receivable:

The City's receivables consisted of the following at September 30, 2021:

	<u>Gross Receivable</u>	<u>Allowance for Doubtful Accounts</u>	<u>Net Receivable</u>
Governmental Activities:			
General Fund	\$ 178,416	\$ (957)	\$ 177,459
Total – Governmental Activities	<u>178,416</u>	<u>(957)</u>	<u>177,459</u>
Business-Type Activities:			
Water and Sewer Fund	487,606	(58,852)	831,918
Sanitation Fund	128,302	(3,901)	124,401
Stormwater Fund	49,864	(1,290)	48,574
Totals – Business-Type Activities	537,470	(64,043)	1,024,870
Totals	<u>\$ 864,165</u>	<u>\$ (65,000)</u>	<u>\$ 1,202,329</u>

In addition to accounts receivable, the City also recorded \$816,244 in due from other governments at September 30, 2021. These amounts reflect management's best estimate of recoveries based on costs incurred and approved projects, and are subject to change pending adjustments made by the respective Federal and/or State agencies.

The City also recorded special assessments receivable of \$106,058, of which \$98,726 represents the balance remaining as of September 30, 2021 on the financing by the property owners of the Morningside Subdivision for Sewer System Construction, which was completed during the year ended September 30, 2014, at an original amount financed totaling approximately \$630,000.

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

(4) Accounts Receivable: (Continued)

In fiscal year 2014, pursuant to Resolutions 2013-05 and 2014-11, the City levied a special assessment for certain benefiting property owners to fund sanitary sewer improvements in the Morningside subdivision. The sanitary sewer improvements were constructed by the City, which retained ownership of the improvements. Related to the special assessment, the City entered into agreements with the individual property owners in the Morningside subdivision under which the City has financed and will collect \$632,997 plus interest at 4.75% per annum from this special assessment to fund these improvements. At September 30, 2021, \$106,058 of the original principal portion of the special assessment is reported as Special assessments receivable – restricted, and \$5,477 was included with interest earnings in the Water & Sewer Fund.

(5) Interfund Loans and Transfers:

The outstanding balances between funds result mainly from the time lag between the dates reimbursable expenditures occur, when transactions are recorded in the accounting system, and when payments between funds are made. The \$460,944 due from the Pier Fund to the General Fund is long-term in nature. At September 30, 2021, individual fund interfund receivables and payables for the primary government were comprised of the following:

	<u>Due From Other Funds</u>	<u>Due to Other Funds</u>
Governmental Activities:		
General Fund:		
Community Redevelopment Fund	\$ 22,593	\$ 962
Water and Sewer Fund	19,573	9
Sanitation Fund	3,832	857
Pier Fund	460,944	61
Community Redevelopment Fund:		
General Fund	962	22,593
Water and Sewer Fund:		
General Fund	9	19,573
Sanitation Fund	-	75,885
Stormwater Fund	-	31,340
Sanitation Fund:		
General Fund	857	3,832
Water and Sewer Fund	75,885	-
Stormwater Fund:		
Water and Sewer Fund	31,340	-
Pier Fund:		
General Fund	61	460,944
Total – All Funds	<u>\$ 616,056</u>	<u>\$ 616,056</u>

Transfers are used to (1) move revenues from the fund with collection authorization to the debt service fund as debt service principal and interest payments become due, (2) move restricted amounts from borrowings to the debt service funds to establish and maintain mandatory reserve and sinking fund accounts, (3) move revenues from proprietary fund operations to the general fund for payments in lieu of taxes, and (4) move unrestricted revenues to finance various programs that the City must account for in other funds in accordance with budgetary authorizations, including amounts provided as matching funds for various grant programs.

CITY OF FLAGLER 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:

Governmental activities:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 2,167,123	\$ -	\$ (25,100)	\$ 2,142,023
Construction in progress	573,202	-	(458,762)	114,440
Total assets not being depreciated	<u>2,740,325</u>	<u>-</u>	<u>(483,862)</u>	<u>2,256,463</u>
Capital assets being depreciated:				
Buildings	2,961,445	-	-	2,961,445
Improvements	2,639,288	676,944	-	3,316,232
Machinery and equipment	3,477,476	137,432	(30,737)	3,584,171
Infrastructure	5,933,302	-	-	5,933,302
Total assets being depreciated	<u>15,011,511</u>	<u>814,376</u>	<u>(30,737)</u>	<u>15,795,150</u>
Less: accumulated depreciation	<u>(8,604,527)</u>	<u>(783,317)</u>	<u>30,737</u>	<u>(9,357,107)</u>
Total capital assets being depreciated, net	<u>6,406,984</u>	<u>31,059</u>	<u>-</u>	<u>6,438,043</u>
Governmental activities capital assets, net	<u>\$ 9,147,309</u>	<u>\$ 31,059</u>	<u>\$ (483,862)</u>	<u>\$ 8,694,506</u>

Business-type activities:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 1,648,235	\$ -	\$ -	\$ 1,648,235
Construction in progress	2,115,239	1,379,495	(1,362,501)	2,132,233
Total assets not being depreciated	<u>3,763,474</u>	<u>1,379,495</u>	<u>(1,362,501)</u>	<u>3,780,468</u>
Capital assets being depreciated:				
Buildings	12,132,799	-	526,913	12,659,712
Improvements	21,837,160	406,269	616,996	22,860,425
Machinery and equipment	4,070,829	203,484	(170,129)	4,104,184
Infrastructure	5,207,618	105,250	218,592	5,531,460
Total assets being depreciated	<u>43,248,406</u>	<u>715,003</u>	<u>1,192,372</u>	<u>45,155,781</u>
Less: accumulated depreciation	<u>(17,532,229)</u>	<u>(1,320,086)</u>	<u>170,129</u>	<u>(18,682,186)</u>
Total capital assets being depreciated, net	<u>25,716,177</u>	<u>(605,083)</u>	<u>1,362,501</u>	<u>26,473,595</u>
Business-type activities capital assets, net	<u>\$ 29,479,651</u>	<u>\$ 774,412</u>	<u>\$ -</u>	<u>\$ 30,254,063</u>

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

(6) **Capital Assets:** (Continued)

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government	\$ 455,159
Public safety	233,130
Public works	19,096
Culture and recreation	75,932
Total depreciation expense - governmental activities	<u>\$ 783,317</u>
Business-type activities:	
Water and Sewer	\$ 998,687
Sanitation	104,052
Stormwater	114,057
Pier	103,290
Total depreciation expense - business-type activities	<u>\$ 1,320,086</u>

(7) **Operating Leases:**

On October 30, 2007, the City renewed a submerged land lease agreement with the Florida Department of Environmental Protection for its Pier. The current lease term expires October 30, 2022. The annual lease payment paid was \$2,812 for the year ended September 30, 2021.

On August 30, 2011, the City entered into an operating lease agreement with a tenant to lease the restaurant portion of the Flagler Beach Municipal Pier. The original agreement was amended to provide for postponement of the Move-In Date to October 1, 2012, while the tenant completed necessary alterations to the leased premises prior to opening for business. Based on the terms of the agreement, the initial ten-year lease began on October 1, 2012, and is scheduled to expire on September 30, 2022, with an option to renew for three additional five-year periods provided the tenant is not in default of any term of the Lease. Annual rentals under the lease agreement include minimum monthly payments of approximately \$3,500, increased 3% per annum, plus an additional percentage rent equivalent to 3% of the tenant's gross sales in excess of \$1 million from the restaurant. During the year ended September 30, 2021, amounts received totaled \$120,894.

On November 20, 2015, the City entered into an operating lease agreement with Flagler Golf Management, LLC (lessee) to lease the Golf Course Property located at 3600 South Central Avenue. Based on the terms of the agreement, the initial fifteen year lease began in November 2015, and is scheduled to expire on September 30, 2022, with an option to extend for two successive ten year terms provided that lessee's average gross revenue, excluding lessons and pro shop revenue is at least \$200,000 per year for the five year period immediately preceding the last day of the Initial Lease Term or the first extension term, whichever is applicable. Annual rentals under the lease agreement include minimum monthly payments of approximately \$225, increased 3% per annum, plus an additional percentage rent equivalent to 3% of the lessee's gross revenue in excess of \$100,000 for any and all operations conducted on the Golf Course Property. During the year ended September 30, 2021, amounts received totaled \$4,319.

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

(8) Capital Leases:

The City has entered into various lease agreements to finance the purchases of machinery and equipment. 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. The machinery and equipment, which is included in capital assets, is summarized as follows:

Asset:	
Machinery and equipment	\$ 753,682
Accumulated depreciation	<u>(221,027)</u>
Net book value of leased assets	<u>\$ 532,655</u>

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

Year Ending September 30,	Present Value of Net Minimum Payments	Amounts Representing Interest	Total Minimum Lease Payments
2022	\$ 152,318	\$ 6,013	\$ 158,331
2023	105,559	1,548	107,107
Total	<u>\$ 257,877</u>	<u>\$ 7,561</u>	<u>\$ 265,438</u>

(9) Long-Term Liabilities:

Long-term liability activity for the year ended September 30, 2021, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Governmental activities:					
Notes payable	\$ 653,000	\$ -	\$ (118,000)	\$ 535,000	\$ -
Capital leases	10,557	-	(4,774)	5,783	4,921
Compensated absences	178,771	148,098	(161,185)	165,684	77,482
Total long-term liabilities	<u>\$ 842,328</u>	<u>\$ 148,098</u>	<u>\$ (283,959)</u>	<u>\$ 706,467</u>	<u>\$ 82,403</u>

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Business-type activities:					
Notes payable	\$ 3,882,015	\$ 490,494	\$ (488,912)	\$ 3,883,597	\$ 429,854
Capital leases	394,708	-	(142,614)	252,094	147,397
Compensated absences	105,659	64,927	(83,586)	87,000	42,325
Total long-term liabilities	<u>\$ 4,382,382</u>	<u>\$ 555,421</u>	<u>\$ (715,112)</u>	<u>\$ 4,222,691</u>	<u>\$ 619,576</u>

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

(9) Long-Term Liabilities: (Continued)

Notes payable in the City's governmental activities at September 30, 2021, were comprised of the following obligations:

Refunding Revenue Note, Series 2015, issued to (1) refund the City's outstanding stormwater revenue note, series 2015, (2) refund the outstanding principal amount of the 2009 CRA Note, and (3) pay related costs of issuance. The series 2015 note is secured by the City's covenant to budget and appropriate from legally available non-ad valorem revenues of the City. The note is split 43% and 57% between governmental and business type activities, respectively. The interest rate is 2.53% and the note matures October 2029. Principal payments are due annually on October 1st and interest payments are due semiannually on October 1st and April 1st. The outstanding balance at September 30, 2021, was \$535,000.

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

<u>Year Ending September 30,</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ -	\$ 14,295	\$ 74,295
2023	61,000	12,764	73,764
2024	63,000	11,195	74,195
2025	64,000	9,589	73,589
2026	66,000	7,945	73,945
2027-2030	281,000	14,434	295,434
Total	<u>\$ 535,000</u>	<u>\$ 70,222</u>	<u>\$ 665,222</u>

Notes payable in the City's business-type activities at September 30, 2021, were comprised of the following obligations:

In January 2005, the City entered into an agreement with the State of Florida, Department of Environmental Protection for a \$3,375,000 loan for a water treatment plant expansion project at an interest rate of 2.67% per year. In June 2006, the loan was amended to include an additional \$3,158,750 with an interest rate of 2.65%. In July 2007, the loan was amended to include an additional \$3,280,134 with an interest rate of 2.64%. The semi-annual payment is due January 15th and July 15th. The loan is collateralized by the pledged revenues of the water and sewer system and carries with it certain rate coverage requirements, which the City was in compliance with at September 30, 2021. The outstanding balance at September 30, 2021, was \$2,368,622 and the note matures in 2027.

Refunding Revenue Note, Series 2015, issued to (1) refund the City's outstanding stormwater revenue note, series 2015, (2) refund the outstanding principal amount of the 2009 CRA Note, and (3) pay related costs of issuance. The series 2015 note is secured by the City's covenant to budget and appropriate from legally available non-ad valorem revenues of the City. The note is split 43% and 57% between governmental and business type activities, respectively. The interest rate is 2.53% and the note matures October 2029. Principal payments are due annually on October 1st and interest payments are due semiannually on October 1st and April 1st. The outstanding balance at September 30, 2021, was \$846,000.

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

(9) **Long-Term Liabilities:** (Continued)

In July 2020, the City entered into an agreement with the State of Florida, Department of Environmental Protection for a \$900,000 loan for design activities related to Wastewater Treatment Facility Construction, at an interest rate of 0.58% per year. The first semi-annual payment is due February 15, 2022. The loan is collateralized by the pledged revenues of the water and sewer system and carries with it certain rate coverage requirements, which the City was in compliance with at September 30, 2021. The outstanding balance at September 30, 2021, was \$668,975 and the note maturity is estimated to occur in 2035.

Annual debt service requirements to maturity for the City's business-type activities notes payable, are as follows:

Year Ending September 30,	Business-type Activities		
	Principal	Interest	Total
2022	\$ 429,854	\$ 74,855	\$ 504,709
2023	562,080	74,569	636,649
2024	575,216	58,353	633,569
2025	589,652	46,471	636,123
2026	603,394	31,864	635,258
2027-2031	917,591	41,678	959,269
2032-2035	205,810	3,078	208,888
Total	<u>\$ 3,883,597</u>	<u>\$ 330,868</u>	<u>\$ 4,214,465</u>

In general, an event of default will occur if the City fails to make a payment of principal and interest when such amounts are due and payable or if the City fails to punctually perform any of the material covenants, conditions, agreements and provisions contained in a debt indenture. In the event of default, the note holders shall be entitled to sue for, enforce payment of, and receive any and all amounts due from the City for principal and interest. In addition, the notes shall bear interest at the default rate; the City may be subject to a late fee; and the City may be required to pay all of the note holders' attorney's fees incurred to remedy the default.

(10) **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.

The City has active construction projects with uncompleted work commitments of \$1,511,759 as of September 30, 2021.

(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; injuries to employees; and natural disasters, all of which is satisfactorily insured by limited risk, high deductible commercial general liability insurance. Commercial insurance policies are also obtained for other risks of loss, including employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

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

(12) Other Postemployment Benefits (OPEB):

Plan Description—City of Flagler 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 of the City who retire from active service under one of the pension plans sponsored by the City. 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 and the City 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 to liquidate the liability for the OPEB obligation from previous years

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

Plan Membership—At September 30, 2019, the date of the latest actuarial valuation, plan participation consisted of the following:

Active Employees	77
Inactive Employees	<u>-</u>
	<u><u>77</u></u>

Total OPEB Liability—The City’s total OPEB liability of \$571,149 was measured as of September 30, 2020, and was determined by an actuarial valuation as of September 30, 2020 utilizing the Measurement Method for small plans as permitted under GASB 75.

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

(12) Other Postemployment Benefits (OPEB): (Continued)

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

Inflation	2.50%
Salary increases	2.50%
Discount rate	2.14%
Healthcare cost trend rate	7.50%
	Ultimate rate reached in 2075 4.00%
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 September 30, 2020 S&P Municipal Bond 20 Year High Grade Rate Index as published by the S&P Dow Jones Indices.

Mortality rates were based on the PuBG-2010 Mortality Tables.

For the fiscal year ended September 30, 2021, changes in the total OPEB liability were as follows:

Balance at September 30, 2020	\$ 426,038
Changes for a year:	
Service cost	50,906
Interest	16,863
Changes of assumptions	89,218
Benefit payments – implicit rate subsidy	(11,876)
Net changes	145,111
Balance at September 30, 2021	\$ 571,149

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 or 1% higher than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Total OPEB Liability	\$ 648,286	\$ 571,149	\$ 506,854

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

(12) Other Postemployment Benefits (OPEB): (Continued)

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 (3.00%-6.50%) or 1% higher (5.00%-8.50%) than the current healthcare cost trend rates (4.00%-7.50%):

	<u>1% Decrease</u>	<u>Current Trend Rates</u>	<u>1% Increase</u>
Total OPEB Liability	\$ 498,683	\$ 571,149	\$ 658,561

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended September 30, 2021, the City recognized OPEB expense of \$159,987. At September 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Contributions subsequent to measurement date	\$ 13,967	\$ -
Total	<u>\$ 13,967</u>	<u>\$ -</u>

Deferred outflows for contributions subsequent to the measurement date will be recognized in fiscal year 2022.

(13) Employee Retirement Systems and Pension Funds:

General Employees - Defined Contribution Plan

The City Commission has adopted the International City Management Association Retirement corporation (ICMA-RC) Money Purchase Plan and Trust, as amended, effective March 10, 2016. The plan is available to the general employees who are not in one of the other City retirement plans. City contributions to the ICMA-RC Money Purchase Plan and trust for general employees shall be 6.5% of each participant's earnings for the plan year. Participants are not permitted to make contributions. City contributions fully vest in the year they are contributed. For the year ended September 30, 2021, actual employer contributions to this plan totaled \$161,846.

Municipal Police Officers' and Firefighters' Defined Benefit Pension Plans

The City's pension plans are established by various City ordinances. The City maintains two separate single employer benefit pension plans which cover firefighters and police officers. The City's ordinances governing the firefighters' and police officers' plans were written in compliance with the provisions of Florida Statutes, Chapters 175 and 185, respectively.

Plan Description and Administration

The City's pension plans are single employer defined benefit pension plans administered by a board of trustees. The board of trustees for each pension plan consists of two Commission appointees, two members of the plan elected by the plan membership, and one member elected by the other four members and appointed by the Commission.

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

(13) Employee Retirement Systems and Pension Funds: (Continued)

No standalone financial reports exist for the pension plans. All financial activity is reported within the accompanying financial statements. Investments are reported at fair value and are managed by third party money managers. The City's independent custodian and the individual money managers price each instrument (using various third party pricing sources) and reconcile material differences. Investments that do not have an established market are reported at estimated fair value. Performance reporting, manager fees, and the City's asset valuation are based on the custodian's determination of value.

Costs incurred by each of the plans for administration of the plans, which includes legal and actuarial fees, trustee fees and investment advisory fees, are borne by the respective retirement plans and are included in the actuarial analysis of the required funding amounts.

Benefits Provided and Employees Covered

Each Plan provides retirement, disability, and death benefits to plan participants and beneficiaries. Current membership in the employee retirement plans was composed of the following at October 1, 2020:

	<u>Police Plan</u>	<u>Fire Plan</u>
Inactive plan members or beneficiaries receiving benefits	8	4
Inactive plan members entitled to but not yet receiving benefits	10	4
Active participants	15	17
Total current membership	<u>33</u>	<u>25</u>

A summary of the benefits provided under each plan are as follows:

Police Officers Plan

- Normal Retirement Benefits: 3.19% of average final compensation times credited service
- Normal Retirement Age: Earlier of: 1) age 55 and 10 years of credited service or 2) age 52 and 25 years of service
- Vesting Schedule: 100% after 10 years of credited service
- Vesting Benefit Amount: Members will receive the vested portion of accrued benefit at the otherwise normal retirement date
- Disability Eligibility Service Incurred: Covered from date of employment
- Disability Eligibility Nonservice Incurred: 10 years of credited service
- Disability Benefit: Benefit accrued to date of disability but not less than 42% of average final compensation (service incurred) or 25% of average final compensation (nonservice incurred)
- Pre-Retirement Death Benefits Vested: Monthly accrued benefit payable to designated beneficiary for 10 years
- Pre-Retirement Death Benefits Non-Vested: Refund of accumulated contributions without interest
- Share Plan: Pursuant to Chapter 2015-39, Laws of Florida, a supplemental benefit component for special benefits exists but is not currently funded per mutual consent between the City and membership.

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

(13) **Employee Retirement Systems and Pension Funds:** (Continued)

Firefighters Plan

- Normal Retirement Benefits: 3.0% of average final compensation times credited service
- Normal Retirement Age: Earlier of age 55 and 10 years of credited service or age 52 and 25 years of credited service
- Early Retirement Benefits: Accrued benefit reduced 3% for each year commencement occurs prior to age 55
- Early Retirement Age: Age 50 and 10 Years of credited service
- Vesting Schedule: 100% after 10 years of credited service
- Vesting Benefit Amount: Members will receive the vested portion of accrued benefit at the otherwise normal retirement date
- Disability Eligibility Service Incurred: Covered from date of employment
- Disability Eligibility Nonservice Incurred: 10 years of credited service
- Disability Benefit: Benefit accrued to date of disability but not less than 42% of average final compensation (service incurred) or 25% of average final compensation (nonservice incurred)
- Pre-Retirement Death Benefits Vested: Monthly accrued benefit payable to designated beneficiary for 10 years
- Pre-Retirement Death Benefits Non-Vested: Refund of accumulated contributions without interest
- Share Plan: Pursuant to Chapter 2015-39, Laws of Florida, a supplemental benefit component for special benefits exists but is currently not funded.

The most recent experience studies for both the police and fire plans were conducted as of August 20, 2019.

Contributions

Members contribute ten percent (police) or five percent (fire) of their pretax earnings. The City contributes the remaining amount required in order to pay current costs and amortize unfunded past service cost, if any, over thirty years. The State of Florida contributes any monies received by reason of the laws of the State for the purpose of funding and paying for retirement benefits.

For the year ended September 30, 2021, contributions to the City's pension plans were as follows:

	Police Plan	Fire Plan	Total
Employee contributions	\$ 88,757	\$ 31,050	\$ 119,807
City contributions	148,009	70,095	218,104
State contributions	57,106	55,641	112,747
Total contributions	<u>\$ 293,872</u>	<u>\$ 156,786</u>	<u>\$ 450,658</u>

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

(13) Employee Retirement Systems and Pension Funds: (Continued)

Investment Policy

See Note (3) for additional discussion of the investment policies for each of the Plans. The following was the asset allocation policy for each of the plans at September 30, 2021:

<u>Asset Class</u>	<u>Target Asset Allocation</u>	
	<u>Police Plan</u>	<u>Fire Plan</u>
Domestic equity	50%	50%
International equity	15%	15%
Broad Market Fixed Income	35%	35%

Net Pension Liability (Asset)

The components of the net pension liability (asset) of the pension plans at September 30, 2021, were as follows:

	<u>Police Plan</u>	<u>Fire Plan</u>	<u>Total</u>
Total pension liability	\$ 4,927,739	\$ 1,477,747	\$ 6,405,486
Plan fiduciary net position	(4,581,135)	(2,156,389)	(6,737,524)
Net pension liability (asset)	<u>\$ 346,604</u>	<u>\$ (678,642)</u>	<u>\$ (332,038)</u>
Plan fiduciary net position as percentage of total pension liability	92.97%	145.92%	105.18%

The total pension liability was determined by an actuarial valuation as of October 1, 2020, and measurement date of September 30, 2021, using the following actuarial assumptions to all measurement periods.

	<u>Police Plan</u>	<u>Fire Plan</u>
Inflation	2.50%	2.50%
Salary increases	Service based	Service based
Investment rate of return	7.00%	7.00%
Mortality table	MP-2018, projected	MP-2018, projected

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

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

(13) Employee Retirement Systems and Pension Funds: (Continued)

Best estimates of arithmetic real rates of return for each major class included in the pension plan's target asset allocation as of September 30, 2021, are summarized in the following table:

Long Term Expected Real Rate of Return		
Asset Class	Police Plan	Fire Plan
Domestic equity	7.5%	7.5%
International equity	8.5%	8.5%
Broad Market Fixed Income	2.5%	2.5%

Discount rate:

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

Changes in net pension liability (asset):

Changes in each plan's net pension liability (asset) were as follows:

	Police Plan		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a-b)
Beginning Balance	\$ 4,475,230	\$ 4,098,405	\$ 376,825
Changes for year:			
Service cost	183,067	-	183,067
Interest	334,013	-	334,013
Share plan allocation	6,748	-	6,748
Differences between expected/actual experience	1,108	-	1,108
Change in excess state money	-	-	-
Changes of assumption	155,389	-	155,389
Contributions - employer	-	145,938	(145,938)
Contributions - employee	-	89,695	(89,695)
Contributions - state	-	56,449	(56,449)
Contributions - buy back	-	-	-
Net investment income	-	452,771	(452,771)
Benefit payments, including refunds	(227,816)	(227,816)	-
Administrative expenses	-	(34,307)	34,307
Net changes	452,509	482,730	(30,221)
Ending Balance	\$ 4,927,739	\$ 4,581,135	\$ 346,604

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

(13) **Employee Retirement Systems and Pension Funds:** (Continued)

	Fire Plan		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
	(a)	(b)	(a-b)
Beginning Balance	\$ 1,357,925	\$ 1,888,052	\$ (530,127)
Changes for year:			
Service cost	97,586	-	97,586
Interest	103,952	-	103,952
Differences between expected/actual experience	(53,411)	-	(53,411)
Change in excess state money	-	-	-
Change in benefit terms	-	-	-
Change in assumptions	15,076	-	15,076
Contributions - employer	-	65,664	(65,664)
Contributions - employee	-	31,446	(31,446)
Contributions - state	-	49,127	(49,127)
Net investment income	-	198,459	(198,459)
Benefit payments, including refunds	(43,381)	(43,381)	-
Administrative expenses	-	(32,978)	32,978
Net changes	119,822	268,337	(148,515)
Ending Balance	<u>\$ 1,477,747</u>	<u>\$ 2,156,389</u>	<u>\$ (678,642)</u>

Sensitivity of the net pension liability (asset) to changes in the discount rate:

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

Plan	Current Discount Rate	NPL(A) with 1% Decrease	NPL(A) at Current Discount Rate	NPL(A) with 1% Increase
Police	7.00%	\$ 1,007,426	\$ 346,604	\$ (197,742)
Fire	7.00%	(448,035)	(678,642)	(864,613)
Total		<u>\$ 559,391</u>	<u>\$ (332,038)</u>	<u>\$ (1,062,355)</u>

For the year ended September 30, 2021, the annual-money weighted rate of return on each pension plan investments, net of pension plan investment expense was as follows:

	Police Plan	Fire Plan
Annual money-weighted rate of return	11.08%	10.43%

The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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

(13) **Employee Retirement Systems and Pension Funds:** (Continued)

Pension Expense and Deferred Outflows and Inflows of Resources Related to Pensions

For the year ended September 30, 2021, the City recognized pension expense of \$178,201 and \$(12,415) in the Police and Fire pension plans, respectively, for a total of \$165,786.

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

	Police Plan		Fire Plan	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 103,359	\$ (101,593)	\$ 104,786	\$ (244,375)
Changes of assumptions	167,956	-	34,596	(49,770)
Net different between projected and actual investment earnings	-	(89,979)	-	(27,624)
Employer and State contributions subsequent to the measurement date	209,767	-	125,736	-
	<u>\$ 481,082</u>	<u>\$ (191,572)</u>	<u>\$ 265,118</u>	<u>\$ (321,769)</u>

The outcome of the Deferred Outflows of resources related to pensions resulting from Employer and State contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended September 30, 2021. All 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:

	Police Plan	Fire Plan
2022	\$ (2,160)	\$ (69,932)
2023	25,717	(59,069)
2024	54,973	(54,464)
2025	1,213	(7,774)
2026	-	4,426
Thereafter	-	4,426

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

(13) **Employee Retirement Systems and Pension Funds:** (Continued)

C. Pension Fund Financial Statements

The City does not issue separate financial statements for the Police or Fire Plan. The basic financial statements of the City include a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position that presents a single column presented by fund type for all pension trust funds. Presented below are the financial statements for each pension trust fund as of and for the year ended September 30, 2021:

COMBINING SCHEDULE OF NET POSITION – FIDUCIARY FUNDS

	Fire Plan	Police Plan	Total
ASSETS			
Cash and cash equivalents with trustee	\$ 26,120	\$ 33,267	\$ 59,387
Total cash and cash equivalents	<u>26,120</u>	<u>33,267</u>	<u>59,387</u>
Receivables			
Employer contributions receivable	-	622	622
State premium taxes	55,641	57,106	112,747
Total receivables	<u>55,641</u>	<u>57,728</u>	<u>113,369</u>
Investments, at fair value			
U.S. Treasury obligations	929,159	2,031,236	2,960,395
Mutual funds - equity	1,021,838	2,017,323	3,039,161
Mutual funds - fixed income	649,448	1,395,181	2,044,629
Total investments	<u>2,600,445</u>	<u>5,443,740</u>	<u>8,044,185</u>
Total assets	<u>2,682,206</u>	<u>5,534,735</u>	<u>8,216,941</u>
LIABILITIES			
Accounts payable	5,038	5,323	10,361
Prepaid employer contributions	-	4,652	4,652
Total liabilities	<u>\$ 5,038</u>	<u>\$ 9,975</u>	<u>\$ 15,013</u>
NET POSITION			
Restricted for pensions	<u>\$ 2,677,168</u>	<u>\$ 5,524,760</u>	<u>\$ 8,201,928</u>

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

(13) **Employee Retirement Systems and Pension Funds:** (Continued)

COMBINING SCHEDULE OF CHANGES IN NET POSITION – FIDUCIARY FUNDS

	Fire Plan	Police Plan	Total
Additions			
Contributions:			
Employer	\$ 70,095	\$ 148,009	\$ 218,104
Plan members	31,050	88,757	119,807
State - insurance premium taxes	55,641	57,106	112,747
Total contributions	<u>156,786</u>	<u>293,872</u>	<u>450,658</u>
Investment earnings:			
Net appreciation (depreciation) in fair value of investments	410,439	879,108	1,289,547
Interest and dividends	42,234	88,714	130,948
Total investment earnings	<u>452,673</u>	<u>967,822</u>	<u>1,420,495</u>
Less: investment expense	<u>(10,000)</u>	<u>(14,500)</u>	<u>(24,500)</u>
Net investment income (loss)	442,673	953,322	1,395,995
Total additions	<u>599,459</u>	<u>1,247,194</u>	<u>1,846,653</u>
Deductions			
Benefit payments and refunds	39,812	263,967	303,779
Administrative expenses	38,868	39,602	78,470
Total deductions	<u>78,680</u>	<u>303,569</u>	<u>382,249</u>
Change in net position	<u>520,779</u>	<u>943,625</u>	<u>1,464,404</u>
Net position restricted for pensions, beginning of year	2,156,389	4,581,135	6,737,524
Net position restricted for pensions, end of year	<u><u>\$ 2,677,168</u></u>	<u><u>\$ 5,524,760</u></u>	<u><u>\$ 8,201,928</u></u>

(14) **Recent Accounting Pronouncements:**

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

- (a) 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.

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

(14) **Recent Accounting Pronouncements:** (Continued)

- (b) 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.
- (c) GASB issued Statement No. 101, *Compensated Absences*, in June 2022. The objective of GASB 101 is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The provisions in GASB 101 are effective for periods beginning after December 15, 2023.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF FLAGLER BEACH, FLORIDA
SCHEDULE OF REVENUES, EXGENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
Revenues				
Taxes	\$ 4,875,421	\$ 4,875,421	\$ 5,261,224	\$ 385,803
Permits and fees	696,450	696,450	787,615	91,165
Intergovernmental	523,725	816,725	868,262	51,537
Charges for services	20,222	20,222	24,595	4,373
Fines and forfeitures	53,800	53,800	64,221	10,421
Investment income	115,500	115,500	1,581	(113,919)
Miscellaneous	9,000	9,000	33,849	24,849
Total revenues	6,294,118	6,587,118	7,041,347	454,229
Expenditures				
Current:				
General government	2,023,318	2,111,185	1,960,660	150,525
Public safety	3,507,213	3,528,149	3,290,632	237,517
Roads and streets	389,957	389,958	429,166	(39,208)
Culture and recreation	463,139	493,336	411,805	81,531
Capital outlay	447,667	803,654	355,614	448,040
Debt service:				
Principal retirement	4,767	4,774	4,774	-
Interest and fiscal charges	281	273	273	-
Total expenditures	6,836,342	7,331,329	6,452,924	878,405
Excess (deficiency) of revenues over expenditures	<u>(542,224)</u>	<u>(744,211)</u>	<u>588,423</u>	<u>1,332,634</u>
Other financing sources (uses)				
Sale of capital assets	-	13,006	157,496	144,490
Total other financing sources (uses)	-	13,006	157,496	144,490
Net change in fund balances	<u>(542,224)</u>	<u>(731,205)</u>	<u>745,919</u>	<u>1,477,124</u>
Fund balances, beginning of year	7,668,255	7,668,255	7,668,255	-
Fund balances, end of year	<u>\$ 7,126,031</u>	<u>\$ 6,937,050</u>	<u>\$ 8,414,174</u>	<u>\$ 1,477,124</u>

CITY OF FLAGLER BEACH, FLORIDA
SCHEDULE OF REVENUES, EXGENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - COMMUNITY REDEVELOPMENT FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
Revenues				
Taxes	\$ 324,675	\$ 324,675	\$ 333,227	\$ 8,552
Expenditures				
Current:				
Physical environment	105,100	105,100	82,751	22,349
Debt service:				
Principal retirement	60,000	52,474	118,000	(65,526)
Interest and fiscal charges	15,054	22,580	23,314	(734)
Total expenditures	180,154	180,154	224,065	(43,911)
Excess (deficiency) of revenues over expenditures	144,521	144,521	109,162	(35,359)
Fund balances, beginning of year	287,285	287,285	287,285	-
Fund balances, end of year	<u>\$ 431,806</u>	<u>\$ 431,806</u>	<u>\$ 396,447</u>	<u>\$ (35,359)</u>

CITY OF FLAGLER 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>
Total OPEB Liability				
Service cost	\$ 50,906	\$ 36,092	\$ 37,961	\$ 40,191
Interest	16,863	16,701	14,031	11,433
Difference between expected and actual experience	-	(35,198)	-	-
Changes of assumptions	89,218	51,333	(23,985)	(26,484)
Benefit payments - implicit rate subsidy	(11,876)	(12,556)	(11,546)	(10,617)
Net change in total OPEB liability	<u>145,111</u>	<u>56,372</u>	<u>16,461</u>	<u>14,523</u>
Total OPEB liability - beginning of year	426,038	369,666	353,205	338,682
Total OPEB liability - end of year	<u><u>\$ 571,149</u></u>	<u><u>\$ 426,038</u></u>	<u><u>\$ 369,666</u></u>	<u><u>\$ 353,205</u></u>
 Covered employee payroll	 \$ 3,680,762	 \$ 3,590,988	 \$ 3,542,740	 \$ 3,456,332
Total OPEB liability as a percentage of covered employee payroll	15.52%	11.86%	10.43%	10.22%

Notes to Schedule:

Valuation date:	9/30/2019	9/30/2019	9/30/2018	9/30/2017
Measurement date:	9/30/2020	9/30/2019	9/30/2018	9/30/2017

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

2.14%	3.58%	4.18%	3.64%
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Benefit Payments:

The plan sponsor did not provide actual net benefits paid by the Plan for the fiscal year ending on September 30, 2021. Expected net benefit payments produced by the valuation model for the same period are shown in the table above.

OPEB Trust:

For purposes of applying Paragraph 4 under Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, the Plan does not meet the requirements for an OPEB plan administered through a trust.

*10 years of data will be presented as it becomes available.

CITY OF FLAGLER BEACH, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
POLICE PLAN
SEPTEMBER 30, 2021
(UNAUDITED)

Measurement Period - Fiscal Year Ending Reporting Period - Fiscal Year Ending	9/30/20 9/30/21	9/30/19 9/30/20	9/30/18 9/30/19	9/30/17 9/30/18	9/30/16 9/30/17	9/30/15 9/30/16	9/30/14 9/30/15
Total Pension Liability							
Service cost	\$ 183,067	\$ 186,283	\$ 181,472	\$ 163,804	\$ 140,418	\$ 152,425	\$ 148,987
Interest	334,013	323,707	286,220	270,030	233,628	218,206	197,282
Share plan allocation	6,748	6,549	5,344	764	-	-	-
Change in excess state money	-	-	-	-	-	-	-
Changes in benefit terms	-	-	-	-	-	-	-
Difference between actual and expected experience	1,108	(118,437)	204,944	(91,598)	114,638	(58,880)	-
Changes of assumptions	155,389	72,739	-	-	87,160	-	-
Contributions - Buy Back	-	42,166	-	-	-	-	-
Benefit payments including refunds of contributions	(227,816)	(221,582)	(157,515)	(137,764)	(102,745)	(90,905)	(57,881)
Net change in total pension liability	452,509	291,425	520,465	205,236	473,099	220,846	288,388
Total pension liability - beginning	4,475,230	4,183,805	3,663,340	3,458,104	2,985,005	2,764,159	2,475,771
Total pension liability - ending (a)	\$ 4,927,739	\$ 4,475,230	\$ 4,183,805	\$ 3,663,340	\$ 3,458,104	\$ 2,985,005	\$ 2,764,159
Total Fiduciary Net Position							
Contributions - employer	\$ 145,938	\$ 129,209	\$ 136,466	\$ 130,382	\$ 62,751	\$ 60,659	\$ 87,454
Contributions - state	56,449	56,051	53,639	44,481	42,952	38,667	38,340
Contributions - employee	89,695	77,838	83,550	81,895	72,128	71,655	71,530
Contributions - Buy Back	-	42,166	-	-	-	-	-
Net investment income	452,771	154,626	338,143	373,236	289,042	(40,277)	246,855
Benefit payments, including refunds of contributions	(227,816)	(221,582)	(157,515)	(137,764)	(102,745)	(90,905)	(57,881)
Administrative expense	(34,307)	(47,021)	(35,835)	(42,148)	(39,294)	(51,933)	(19,992)
Net change in plan fiduciary net position	482,730	191,287	418,448	450,082	324,834	(12,134)	366,306
Plan fiduciary net position - beginning	4,098,405	3,907,118	3,488,670	3,038,588	2,713,754	2,725,888	2,359,582
Plan fiduciary net position - ending (b)	\$ 4,581,135	\$ 4,098,405	\$ 3,907,118	\$ 3,488,670	\$ 3,038,588	\$ 2,713,754	\$ 2,725,888
Net pension liability - ending (a) - (b)	\$ 346,604	\$ 376,825	\$ 276,687	\$ 174,670	\$ 419,516	\$ 271,251	\$ 38,271
Plan fiduciary net position as a percentage of the total pension liability	92.97%	91.58%	93.39%	95.23%	87.87%	90.91%	98.62%
Covered payroll	\$ 896,948	\$ 778,377	\$ 835,497	\$ 818,946	\$ 721,277	\$ 716,550	\$ 715,298
Net pension liability as a percentage of covered payroll	38.64%	48.41%	33.12%	21.33%	58.16%	37.86%	5.35%

Changes of assumptions:

For measurement date 09/30/2020, as mandated by Chapter 2015-157, Laws of Florida, the assumed rates of mortality were changed to the rates used in Milliman's July 1, 2019 FRS valuation report for special risk employees.

Additionally, the investment rate return was lowered from 7.35% to 7.00%, net of investment related expenses.

*10 years of data will be presented as it becomes available.

CITY OF FLAGLER BEACH, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION ASSET AND RELATED RATIOS
FIRE PLAN
SEPTEMBER 30, 2021
(UNAUDITED)

Measurement Period - Fiscal Year Ending Reporting Period - Fiscal Year Ending	9/30/20 9/30/21	9/30/19 9/30/20	9/30/18 9/30/19	9/30/17 9/30/18	9/30/16 9/30/17	9/30/15 9/30/16	9/30/14 9/30/15
Total Pension Liability							
Service cost	\$ 97,586	\$ 129,855	\$ 129,752	\$ 82,884	\$ 81,822	\$ 74,954	\$ 63,454
Interest	103,952	117,847	94,641	90,640	77,035	69,702	63,195
Change in excess state money	-	-	-	-	-	-	-
Share plan allocation	-	-	-	-	-	-	-
Changes in benefit terms	-	(322)	-	-	-	-	-
Difference between actual and expected experience	(53,411)	(216,635)	146,201	(118,194)	16,460	(1,875)	-
Changes of assumptions	15,076	(82,951)	-	-	50,710	-	-
Benefit payments including refunds of contributions	(43,381)	(63,246)	(58,679)	(39,022)	(52,357)	(51,394)	(51,394)
Net change in total pension liability	119,822	(115,452)	311,915	16,308	173,670	91,387	75,255
Total pension liability - beginning	1,357,925	1,473,377	1,161,462	1,145,154	971,484	880,097	804,842
Total pension liability - ending (a)	\$ 1,477,747	\$ 1,357,925	\$ 1,473,377	\$ 1,161,462	\$ 1,145,154	\$ 971,484	\$ 880,097
Total Fiduciary Net Position							
Contributions - employer	\$ 65,664	\$ 70,900	\$ 86,628	\$ 83,554	\$ 2,978	\$ 12,764	\$ 24,723
Contributions - state	49,127	47,053	43,677	31,857	35,714	62,074	50,517
Contributions - employee	31,446	27,936	24,886	25,221	15,917	14,900	13,776
Net investment income	198,459	68,923	143,679	158,378	124,245	(19,545)	115,088
Benefit payments, including refunds of contributions	(43,381)	(63,246)	(58,679)	(39,022)	(52,357)	(51,394)	(51,394)
Administrative expense	(32,978)	(45,899)	(36,562)	(35,837)	(36,875)	(28,497)	(12,148)
Net change in plan fiduciary net position	268,337	105,667	203,629	224,151	89,622	(9,698)	140,562
Plan fiduciary net position - beginning	1,888,052	1,782,385	1,578,756	1,354,605	1,264,983	1,274,681	1,134,119
Plan fiduciary net position - ending (b)	\$ 2,156,389	\$ 1,888,052	\$ 1,782,385	\$ 1,578,756	\$ 1,354,605	\$ 1,264,983	\$ 1,274,681
Net pension liability (asset) - ending (a) - (b)	\$ (678,642)	\$ (530,127)	\$ (309,008)	\$ (417,294)	\$ (209,451)	\$ (293,499)	\$ (394,584)
Plan fiduciary net position as a percentage of the total pension liability	145.92%	139.04%	120.97%	135.93%	118.29%	130.21%	144.83%
Covered payroll	\$ 628,923	\$ 558,717	\$ 497,723	\$ 504,418	\$ 318,345	\$ 297,990	\$ 275,505
Net pension asset as a percentage of covered payroll	-107.91%	-94.88%	-62.08%	-82.73%	-65.79%	-98.49%	-143.22%

Changes of assumptions

For measurement date 09/30/2020, as mandated by Chapter 2015-157, Laws of Florida, the assumed rates of mortality were changed to the rates used in Milliman's July 1, 2019 FRS valuation report for special risk employees.

Additionally, the investment return assumption is lowered from 7.25% to 7.00%.

*10 years of data will be presented as it becomes available.

CITY OF FLAGLER BEACH, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS
POLICE PLAN
SEPTEMBER 30, 2021
(UNAUDITED)

Fiscal Year	Actuarially Determined Contribution (ADC)	Contributions in Relation to ADC	Contribution Deficiency (Excess)	Covered Payroll	Contributions as Percentage of Employee Payroll
2021	\$ 205,028	\$ 202,691	\$ 2,337	\$ 887,565	22.84%
2020	195,535	195,639	(104)	896,948	21.81%
2019	184,475	178,711	5,764	778,377	22.96%
2018	172,112	184,762	(12,650)	835,497	22.11%
2017	180,987	174,099	6,888	818,946	21.26%
2016	98,815	105,703	(6,888)	721,277	14.65%
2015	98,884	99,326	(442)	716,550	13.86%
2014	125,177	125,794	(617)	715,298	17.59%

Notes to Schedule:

Valuation Date: 10/1/2019

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

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method: Entry age normal cost
Amortization Method: Unfunded actuarial accrued liability amortized over 15 years.
Asset Valuation Method: The Actuarial Value of Assets is based on a four-year smoothing methodology.
The annual difference between expected and actual investment earnings (Market Value, net of investment-related expenses), is phased in over a four-year period.
Inflation: 2.50%
Salary Increases: Service based
Investment Rate of Return: 7.0% per year compounded annually, net of investment related expenses.
Mortality: Healthy Active Lives:
Female: PubS.H-2010 for Employees, set forward one year.
Male: PubS.H-2010 (Below Median) for Employees, set forward one year.
Healthy Retiree Lives:
Female: PubS.H-2010 for Healthy Retirees, set forward one year.
Male: PubS.H-2010 (Below Median) for Healthy Retirees, set forward one year.
Beneficiary Lives:
Female: PubG.H-2010 for (Below Median) Healthy Retirees.
Male: PubG.H-2010 (Below Median) for Healthy Retirees, set back one year.
Disabled Lives:
80% PubG.H-2010 for Disabled Retirees/20% PubS.H-2010 for Disabled Retirees.
Retirement Age: Earlier of: 1) age 55 and 10 years of service, or 2) age 52 and 25 years of service.
Members satisfying the above eligibility requirements are assumed to retire immediately.

Disability Rate Table

Age	% Becoming Disabled During the Year
20	0.15%
25	0.15%
30	0.20%
35	0.25%
40	0.35%
45	0.50%
50	0.90%
55	1.80%
60	4.50%
65	0.00%

*10 years of data will be presented as it becomes available.

CITY OF FLAGLER BEACH, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS
FIRE PLAN
SEPTEMBER 30, 2021
(UNAUDITED)

Fiscal Year	Actuarially Determined Contribution (ADC)	Contributions in Relation to ADC	Contribution Deficiency (Excess)	Covered Payroll	Contributions as Percentage of Employee Payroll
2021	\$ 118,859	\$ 125,736	\$ (6,877)	\$ 620,994	20.25%
2020	119,496	114,791	4,705	628,923	18.25%
2019	123,253	117,953	5,300	558,717	21.11%
2018	120,300	130,305	(10,005)	497,723	26.18%
2017	115,411	115,411	-	504,418	22.88%
2016	45,588	38,692	6,896	318,345	12.15%
2015	67,942	74,838	(6,896)	297,990	25.11%
2014	75,240	75,240	-	275,505	27.31%

Notes to Schedule:

Valuation Date: 10/1/2019

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

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method: Entry age normal cost
Amortization Method: Unfunded actuarial accrued liability amortized over 15 years
Asset Valuation Method: All assets are valued at market value with an adjustment to uniformly spread actuarial investment gains and losses (as measured by actual market value investment return against expected market value investment return) over a five-year period.
(Prior year Fair Market Value, net of investment-related expenses).
Inflation: 2.50%
Salary Increases: Service based
Investment Rate of Return: 7.0% per year compounded annually, net of investment related expenses.
Mortality: Healthy Active Lives:
Female: PubS.H-2010 for Employees, set forward one year.
Male: PubS.H-2010 (Below Median) for Employees, set forward one year.
Healthy Retiree Lives:
Female: PubS.H-2010 for Healthy Retirees, set forward one year.
Male: PubS.H-2010 (Below Median) for Healthy Retirees, set forward one year.
Beneficiary Lives:
Female: PubG.H-2010 for (Below Median) Healthy Retirees.
Male: PubG.H-2010 (Below Median) for Healthy Retirees, set back one year.
Disabled Lives:
80% PubG.H-2010 for Disabled Retirees/20% PubS.H-2010 for Disabled Retirees.

Retirement Age:	Number of Years after First	Probability of
	Eligibility for Normal Retirement	Retirement
	0	20%
	1-4	5%
	5 or more	100%

Disability Rate Table:

Age	% Becoming Disabled During the Year
20	0.03%
30	0.04%
40	0.07%
50	0.18%
55	0.36%
60	0.90%

*10 years of data will be presented as it becomes available.

**CITY OF FLAGLER BEACH, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF INVESTMENT RETURNS
SEPTEMBER 30, 2021**

For the Year Ending September 30,	Police Plan	Fire Plan
2021	20.91%	20.41%
2020	11.08%	10.43%
2019	3.95%	3.82%
2018	9.76%	9.27%
2017	12.32%	11.83%
2016	10.62%	10.10%
2015	-1.48%	-1.52%
2014	10.40%	9.98%

*10 years of data will be presented as it becomes available.

SUPPLEMENTARY INFORMATION

**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 Flagler 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, the business-type activities, and each major fund of the City of Flagler 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 July 8, 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 over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described 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 following deficiency in the City's internal control to be a material weakness:

2021-001 Reconciliation of Account Balances and Audit Adjustments: During our audit, we noted many accounts were not reconciled on a timely basis and numerous accounting adjustments were required during the audit process in order for the financial statements to be compliant with generally accepted accounting principles in the United States of America. We recommend the City review significant transactions monthly to ensure completeness and accuracy, as well as all account balances at year-end to ensure proper cutoff and accrual-based reconciliations agree to the general ledger.

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 following deficiencies in the City's internal control to be significant deficiencies.

2021-002 Information Technology Matters

The City's information technology (IT) environment plays a key role in the financial reporting process, and safeguards should be in place to protect the integrity and security of all financial data. During our testing of network and application access we noted the following:

- The finance director had full administrator rights to City's accounting software.
- The City was not performing backups to a secondary location.

The exploitation of these deficiencies could result in the compromise of the integrity and/or security of the City's data as it relates to financial reporting. We recommend performing a documented review of user access at least annually to verify user access is appropriately restricted. This review should either be performed by someone who does not have an administrator role or a dual review is performed. We also recommend delegating application administration duties to someone outside of finance. We also recommend performing offsite backups to improve reliability of backups in the event of device failure.

2021-003 Journal Entry Controls

During our testing of journal entries, eight of the twenty five selected were not properly approved. As such, improper journal entry activity, whether due to error or fraud, may not be detected on a timely basis. Internal controls over financial reporting should include processes that require journal entries made to the accounting system of sub-ledgers be reviewed and approved by an individual other than the individual responsible for preparing the journal entry. While management has developed processes that require all journal entries be reviewed by someone other than the preparer, we recommend implementing these practices and monitoring to ensure they are followed consistently.

Compliance and Other Matters

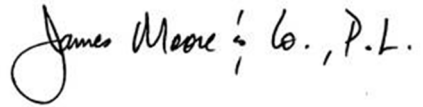
As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect 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 responses to the findings identified in our audit are outlined as listed in the table of contents. 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.

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
July 8, 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 Flagler Beach, Florida:

Report on the Financial Statements

We have audited the basic financial statements of City of Flagler Beach, Florida (the City), as of and for the fiscal year ended September 30, 2021, and have issued our report thereon dated July 8, 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 Florida Auditor General.

Other Reporting Requirements

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*; 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 and schedule, which are dated July 8, 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 is a summary of prior year findings and recommendations:

2020-001 Reconciliation of Account Balances and Audit Adjustments – Comment remains uncorrected from the preceding audit; see repeat comment 2021-001

2020-002 Information Technology Matters – Comment remains partially uncorrected from the preceding audit; see repeat comment 2021-002

2020-003 Journal Entry Controls – Comment remains partially uncorrected from the preceding audit; see repeat comment 2021-003

2020-004 Fund Balance Policy – Comment remains uncorrected from the preceding audit; see repeat comment 2021-004

2020-005 Deficit Unrestricted Net Position – Comment remain uncorrected from the preceding audit; see repeat comment 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 and component units of the reporting entity is disclosed in Note 1 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 conditions 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 had the following recommendations:

2021-004 Fund Balance Policy

The City does not have a fund balance policy established. We recommend a fund balance policy be established that specifies what the unassigned and unrestricted fund balances/net position should be as a percentage of each fund's expenditures/expenses in order to monitor the sufficiency of all of the unassigned and unrestricted fund balances.

2021-005 Deficit Unrestricted Net Position

The City's Pier Fund has a Deficit Unrestricted Net Position of \$289,163 which was created by recurring losses in the Pier Fund. On the Statement of Net Position, the Pier Fund has recorded an advance from the General Fund of \$460,944 to subsidize the recurring losses. We recommend exploring options for the Pier Fund to either pay back the General Fund, or consider transferring the balance from the General Fund to the Pier Fund and rectify the Deficit Unrestricted Net Position.

2021-006 Budgetary Compliance

We noted expenditures in the Flagler Beach community redevelopment agency fund exceeded final budget amounts at year-end. In addition to any ongoing budget amendments during the year, we recommend the City to perform a budget versus actual analysis subsequent to year end to identify and present any necessary budget amendments to the Flagler Beach community redevelopment agency board within the 60-day period subsequent to year-end as permitted by state statutes.

2021-007 Pension Benefit Payments

As part of our testing over pension plan activity, we selected benefit payments for testing. We requested supporting documentation underlying pension benefit payments to certain participants. Proper supporting documentation for one of the four participants selected could not be produced. We note the responsibility to administer and monitor the City's pension plans is the respective pension boards, but the ultimate financial responsibility falls back to the City. As a result, we recommend a formal review process be implemented and performed by the City in collaboration with the pension plan administrators in effort to ensure all pension benefit payments are accurately paid, and a process be implemented to ensure all supporting documentation is properly maintained so it can be accessed as needed.

Special District Component Units

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

Specific Special District Information – CRAs

The required reporting items in accordance with Section 218.39(3)(c), Florida Statutes for the Flagler Beach Community Redevelopment Agency have been reported in the separately-issued audited financial statements.

Additional Matters

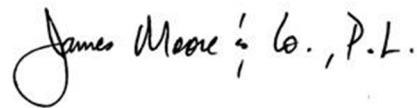
Section 10.554(1)(i)3., Rules of the Auditor General, requires us to communicate noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants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

Management's Response to Findings

The City's responses to the findings identified in our audit are outlined as listed in the table of contents. 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 Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, City Commission, management, others within the City, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

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

Daytona Beach, Florida
July 8, 2022



INDEPENDENT ACCOUNTANTS' EXAMINATION REPORT

To the Honorable Mayor, City Commission, and City Manager,
City of Flagler Beach, Florida:

We have examined the City of Flagler 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 Flagler Beach, Florida complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2021.

 James Moore & Co., P.L.

Daytona Beach, Florida
June 14, 2022



Management's Responses to Findings

2021-001 Reconciliation of Account Balances and Audit Adjustments

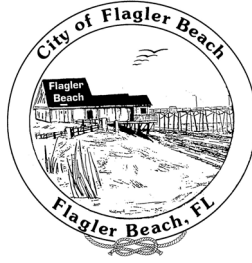
The City agrees that account balances must be reconciled on a timely basis. During the 2021-2022 fiscal year the Finance Department experienced a shortage of staff in conjunction with onboarding new staff which caused delays in preparation for the 2020-2021 fiscal year audit. In addition, Finance Department was tasked with many weeks of preparing CARES Act reimbursement packages and APRA funding plan, both of which had deadlines which had to be met and impacted workload. The City hired an Assistant to the Finance Director in August 2021. This position will work closely with the Finance Director and will allow for more time to be spent on balance sheet reconciliations. The City is in the process of hiring a new Finance Director, and the former Finance Director has retired. During the course of the year, the new Finance Department will develop procedures addressing more timely reconciliation of accounts to assure compliance with Generally Accepted Accounting Principles.

2021-002 Information Technology Matters

The City has implemented new procedures to alleviate most of the prior audit findings. Due to the small Finance Staff, the city does not have the means to have 100% separation of duties when it comes to administrative tasks such as setting up new users with their specific user rights. However, a new process has been implemented whereby new users are identified along with their security level and user access rights, which is printed and signed off on by the City Manager. Administrative procedures are performed by the Finance Director, but under an administrative login that is separate from the login for the Finance Director. The software system provides an audit of all transactions showing which users has performed each step. This audit is available in all modules of the software. The City currently contracts IT services with Flagler County and will explore different backup solutions to improve reliability in the event of a device failure.

2021-003 Journal Entry Controls

The City agrees that a formal journal entry review process is necessary. Journal entries are created by the Finance Director, Asst. to the Finance Director and the Payroll/Bookkeeper position. The Payroll/bookkeeper position only makes journal entries related to Credit Card transactions Fees which are reviewed by the Finance Director during bank reconciliations. During fiscal year 2021-22 we have implemented a quarterly review of journal entries and budget line transfers. All of these entries are printed and reviewed by the City Manager.



2021-004 Fund Balance Policy

The new City Manager sees the value of developing a Fund Balance Policy. We are closely evaluating our experience during recent emergency events, (Covid-19, Hurricanes Matthew, Irma and Dorian) and will begin development and implementation of such a policy. Once a new Finance Director is hired by the City Manager, plans are underway for the CM to assign this task so it can be accomplished. Final implementation set for the 2022-2023 Fiscal Year.

2021-005 Deficit Unrestricted Net Position

The City created an Enterprise fund for Pier Operations with the intention of the Pier becoming self-supporting. Since 2016, the Pier Revenues have been impacted by natural disasters and most recently the pandemic all of these disasters have had negative impact on revenues for the Pier. Since the Pier was closed for several months during the years of 2016-17, 2017-18 and 2019-2020. Another factor creating the deficit net position is Insurance costs, which have increased dramatically over the past years. Management is aware of the circumstances beyond our control which have caused this deficit. We were awarded funds to rebuild the pier after the damage caused by Hurricane Matthew; the City is currently working on this project. The City is also reviewing current fees with the goal of increasing revenues for the upcoming year. At this time, the City will record a loan from the General Fund in hopes that the financial circumstances will change in future years. Until then City Commission and Management have more operating years outside of such emergency conditions the City will continue subsidize the Pier and will create a method for the Pier to pay back the General Fund in future years.

2021-006 Budgetary Compliance

Due to the payment schedule and timing of debt payments, two such payments were captured in fiscal year 2020-2021, but only one debt payment was budgeted for. Moving forward, the City will closely monitor and budget for debt repayments, and amend the budget if necessary.

2021-007 Pension Benefit Payments

For this participant, the Election of Benefits form could not be produced by the third party administrator. The City will discuss with the third party administrator to weigh the cost/benefit of reproducing all such missing forms to clearly document the accuracy of all participant beneficiaries.